Austria .... Sch. 20	Indonesia .. Rp 3100	Philippines [illegible] 20
Bahrain .. Din.0.650	Israel .... NS 3.50	Portugal [illegible] Esc 100
Belgium BFr.45	Italy .... L 1500	S. Arabia [illegible] 6.00
Canada ... C$1.00	Japan Y550	Singapore [illegible]
Cyprus .... C£0.75	Jordan ... Fils 500	Spain [illegible] 125
Denmark .. Dkr.8.00	Kuwait .. Fils 500	Sri Lanka [illegible] 30
Egypt ..... E£1.00	Lebanon . L£ 25.00	Sweden [illegible]
Finland . Fmk 6.50	Luxembourg . LFr.45	Switzerland [illegible]
France FFr. 6.50	Malaysia . Rin 4.25	Taiwan [illegible]
Germany . DM 2.20	Mexico Pes. 300	Tunisia . Din 1.[illegible]
Greece ..... Dr 80	Morocco .. Dh 6.00	Turkey .... L 350
Hong Kong . HK$ 12	Netherlands . Fl 2.75	U.A.E. ... Dh 6.50
India .... Rup. 15	Norway . Nkr. 7.00	U.S.A. $1.00

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FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,104 — Monday December 8 1986 — D 8523 B

Politics Today from Vienna: not as bad as it looks, Page 17

World news

Iranians respond to attacks on civilians

Seventeen civilians were killed and 46 were wounded during Iranian air and artillery attacks on the southern Iraqi port of Basra and four border towns.

Iran said it had fired three short-range missiles into Basra and its air force raided targets in five other Iraqi areas in retaliation for Iraqi air raids which it said killed more than 125 people in two days.

An Iraqi High Command communique said 10 people were killed and 27 injured in Basra where eight houses and several other buildings including a church, a hospital, a school and a cinema were damaged. Iran backs US hostage link, Page 18

Anti-Israel protests

Israeli troops shot and wounded a 17-year-old Palestinian in the occupied Gaza Strip during demonstrations resulting from the killing by Israelis last week of three Arabs.

Camp war ceasefire

The Palestine Liberation Organisation will seek Arab guarantees ensuring an end to the "camps war" in Lebanon at an emergency meeting of Arab League foreign ministers today. An Iranian-mediated truce led to a partial ceasefire at the weekend.

Afghan peace talks

Pakistani Foreign Secretary Abdul Sattar flew to Moscow and is expected to meet Soviet foreign ministry officials to discuss latest moves for an Afghanistan peace settlement.

Bomb target

A home-made bomb was thrown at the house of West German Chancellor Helmut Kohl's press spokesman Friedhelm Ost in Bad Honnef, near Bonn, but failed to explode.

Moscow sackings

Several senior Moscow city officials, including the heads of the trade, health and underground railway departments, have been removed in a campaign to improve substandard services in the Soviet capital.

Indian riot deaths

Four people were killed by police gunfire and nearly 50 were injured in riots in the southern Indian city of Bangalore following publication of a newspaper story offensive to Moslems.

Irish may quit Unifil

Irish Defence Minister Paddy O'Toole said his government would have to look "very seriously" at Ireland's participation in the United Nations peacekeeping force in Lebanon following the death of an Irish soldier there at the weekend.

Leningrad flooded

Leningrad suffered its worst flooding for 16 years when the Neva River rose 2.6 meters above normal levels but damage was limited and there were no casualties.

New Polish council

Polish communist leader Wojciech Jaruzelski has persuaded senior lay Catholics, independent intellectuals and known opposition supporters to join a Consultative Council to advise him on political issues in his role as the head of the Council of State.

Taiwan poll surprise

Taiwan's opposition Democrat Progressives won 12 of the 73 Legislative Council seats and 11 of the 84 National Assembly seats in the weekend elections. Page 4

Bus crash kills 19

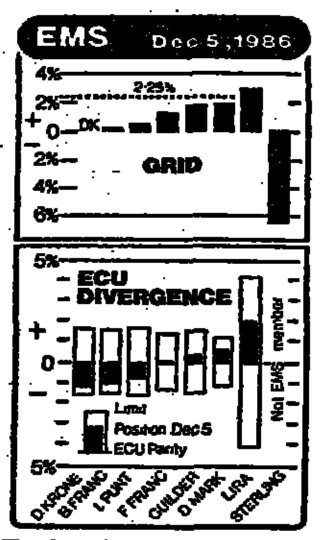
Nineteen people were killed and 86 injured when a bus carrying relatives of a bride to her wedding was in collision with a lorry in Izmit, northwest Turkey.

Business summary

More than 1m buy shares in St Gobain

ST GOBAIN: Over 1m private individuals have bought shares in St Gobain, French industrial group with substantial glass interests, and the first state-owned group to be privatised by the Government.

EUROTUNNEL Anglo-French channel tunnel consortium, met its £206m ($294m) international share-placing in October only because banking and construction shareholders increased their stakes by £12m. Page 18



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

EUROPEAN Monetary System: The Danish krone was the weakest member of the EMS last week but showed little overall change in quiet trading. The dollar's recovery against the D-Mark helped to relieve some of the pressure in the weaker currencies normally associated with a strong D-Mark. However there were signs that the Belgian central bank may have bought small amounts from time to time in order to support the Belgian franc. Trading volume was already declining with dealers preparing to square their books ahead of the year end.

UNION CARBIDE announced that it had received approval from 96 per cent of its bond holders for the financial reconstruction which it proposed last month.

GM: Dramatic exit of Ross Perot, founder of Electronic Data Systems, computer services subsidiary of General Motors, from GM's board last week 'could help' EDS. Page 20

LTV, US steelmaking, energy and defence products company which went into bankruptcy in July, has won agreement for new credit facilities from its main bankers. Page 19

MONTEDISON, Italian chemicals company, is to pay between L170bn ($124m) and L190bn to acquire a further key 3 per cent equity stake in La Fondiaria, the Florence insurance company. Page 19

EURO-CLEAR, Brussels-based clearing system, is reorganising its corporate structure so that it belongs to virtually all the 2,000 institutions which participate in it instead of the 125 Euromarket firms which have owned it since 1972.

PHILIPPINE Government is to transfer $7bn of non-performing assets from the books of two government banks in order to speed up the sale of their assets. Page 20

BET-SHEMESH Engines, near-bankrupt Israeli aero-engine manufacturer in which Pratt and Whitney of the US has a major holding, has been offered for sale to the Israeli private sector by a ministerial working group examining its future. Page 20

OIL: The strong rise in demand will not be carried into 1987, according to the latest International Energy Agency report. Page 5

French crisis deepens as students widen campaign

BY DAVID HOUSEGO AND GEORGE GRAHAM IN PARIS

MR JACQUES CHIRAC, the French Prime Minister, faced a deepening political crisis yesterday as Paris university students called on trade unions, teachers and parents to join in nationwide demonstrations on Wednesday.

The broadening of the campaign against higher education reform followed the death of a 22-year-old French student of Algerian birth in violent clashes between police and students early Saturday morning. Rioting continued intermittently over the weekend.

Mr Chirac yesterday appealed for calm. But reflecting the hardening of attitudes on both sides, he said in a strongly worded speech that the Government would not accept "disorder or attempts to destabilise" the country by "a helmeted hooligan minority."

Mr Chirac: facing a deepening political crisis

Several hundred rioters tore up paving stones and built barricades of flaming cars in Paris' student quarter in the early hours of yesterday morning. Student leaders disassociated themselves from such actions.

Mr Charles Pasqua, the French Minister of the Interior, went further than the Prime Minister, and said that "leftists and anarchists" were behind the student movement and "were trying to overthrow the government and the institutions of the Fifth Republic on the streets."

He called on militants of Mr Chirac's neo-Gaullist RPR party to hold themselves ready "to defend democracy and the Republic" if events warranted. The Gaullists issued a similar appeal in May 1968 when students and trades unions last joined in massive demonstrations in France.

The Communist led CGT union yesterday announced its support for Wednesday's demonstration and said that its members would march to banners calling for a "halt to repression" and the withdrawal of the university legislation.

The Communist union also said they would call work stoppages for today as a gesture to commemorate Malek Oussekine who died over the weekend.

Student leaders have announced a day of mourning for today among the student community. They have also called on 18–25 year olds to put their names on the electoral roll as an implied warning to Mr Chirac who is expected to be a candidate in the next presidential election.

Other trade unions, however, have held back from this week's planned demonstrations. The pro-Socialist CFDT said it was prepared to join Wednesday's march on condition that it ended by 4pm and that political parties are excluded. The more centrist Force Ouvriere, however, plans a one-hour stoppage today in protest against the recent violence but will not take part in Wednesday's demonstration.

President Mitterrand who returned to Paris on Saturday night condemned all those responsible for the violence after a late meeting with Mr Chirac. But he left no doubt that he might use his position as national arbiter to intervene directly in the crisis – thus putting fresh strains on "cohabitation."

He is known to have had severe doubts over the Government's handling of the university issue and of the police's role in the violence.

Mr Alain Devaquet, the Minister responsible for the universities, also handed in his resignation after the Government's decision on Friday to abandon parts of its bill to which the students have most objected.

Mr Devaquet's resignation was eclipsed by the death of Malek Oussekine in the violence on Saturday night. Eye witnesses said he was clubbed by riot police while taking refuge in a private house. He died after a heart attack which followed the blows he received.

On Saturday some 30,000 people including students, parents and teachers took part in a demonstration to mark his death and protest at the police action. The demonstration ended in violence as hooligans smashed shop windows and put up barricades.

The opposition Socialist Party yesterday put the blame for the violence on the Government and called for the complete withdrawal of the university bill in order to end the tension. Mr Jean-Jack Queyranne, the party's spokesman, said Mr Chirac and Mr Pasqua were "responsible for the deterioration of the situation and for the chain of events which had led to the tragic death of a young student and to numerous casualties."

● More than 300 people, shouting slogans in support of French students went on a rampage in downtown Frankfurt yesterday, smashing windows and plundering shops according to police, reports AP from Frankfurt.

"Paris burns – Frankfurt burns," wrote the protesters on walls as

Continued on Page 18

French universities, Page 16

EEC sets date for solution of budget problems

BY QUENTIN PEEL IN LONDON

EEC heads of government have set themselves a timetable to deal with the financial crisis of the Community, requiring major reforms of the Common Agricultural Policy and agreement on more cash contributions from the member states, with negotiations coming to a head by their summit in June.

Mr Jacques Delors, president of the European Commission, spelt out the extent of the budget imbalance precipitated by the soaring cost of farm spending, at a confidential briefing for the EEC leaders during the weekend summit in London.

He warned them that all the Community institutions had effectively connived in "cooking the books" of EEC spending over the past 10 years, leaving a huge overhang of unfulfilled commitments, and an immediate financing gap in 1987 of more than Ecu 4bn ($4.2bn) in a total budget of some Ecu 36bn.

The European Court of Auditors, whose latest report is due to be published before Christmas, estimates that the overhang of spending commitments – the cash needed to dispose of food surpluses, and catch up on agreed social and regional projects – now totals almost Ecu 20bn, or more than half the annual budget.

The looming budget crisis brings together a whole range of issues vital to the national interests of individual member states, including reform of the CAP, a shake-up of the social and regional funds, new sources of finance – and a long-term solution to Britain's budget "rebate."

The EEC leaders, who had agreed to keep the whole subject off their agenda for fear of precipitating a bruising conflict before they were ready for it, agreed to a plan for Mr Delors to bring specific proposals on a tour of national capitals in the New Year. Only then will he table final plans for negotiation in the Council of Ministers.

He warned them at the government briefing that all the present sources of EEC finance – customs duties, agricultural levies, and contributions from value added tax – were actually shrinking, while the combination of glutted world agricultural markets, and the falling dollar, forced up the cost of CAP subsidies.

A simple increase in the Vat contributions, from the present ceiling of 1.4 per cent to 1.6 per cent – as tacitly agreed by the heads of Government in Fontainebleau in 1984 – would be inadequate to keep pace with spending.

The Fontainebleau summit, when the Vat ceiling was raised from 1.0 to 1.4 per cent, was also the occasion when Britain's special budget deal was agreed, refunding two-thirds of the UK's net contribution each year. That agreement is supposed to be renegotiated before the Vat ceiling can be changed.

All entrants are winners, Page 2; Editorial comment, Page 16

Union seeks BTR support for SA murder inquiry

BY ANTHONY ROBINSON IN JOHANNESBURG

SOUTH AFRICA'S Metal and Allied Workers Union (MAWU) has sent a message to Sir Owen Green, chairman of BTR, the UK-based multinational, seeking his support for an urgent commission of enquiry into the events which led to the murder of three former employees of the group's Sarmcol subsidiary at the weekend.

The deaths are the latest developments in the bitter 18 months struggle for reinstatement by 900 former employees of BTR's Sarmcol subsidiary which has made BTR a prime target of anti-apartheid organisations and trade unions.

According to MAWU, two former shop stewards at the Sarmcol plant together with the daughter of a Sarmcol striker were abducted and shot dead on Friday night after being beaten in front of a crowd of 200 alleged supporters of the Zulu Inkatha movement in the community hall of Mpophomeni township, some 15 km from Howick in Natal Province.

Another township resident later died of stab wounds after Inkatha supporters, many carrying guns and other weapons, marched around the township attacking the houses of sacked former BTR workers. A further eight township residents were taken to a nearby hospital with stab and gunshot wounds.

The fate of the two murdered shop stewards, Phineas Sibiya and Simon Ngubane, and Flora Mnikathi, was revealed by a fourth intended victim who managed to escape from the car in which they were being taken. They were shot and the car containing their bodies set alight, a union statement said.

The latest violence connected with the long-running Sarmcol dispute took place against a background of months of tension between dismissed strikers and the 800 workers who were taken on when Sarmcol sacked its entire black labour force in May 1985, after two years of acrimonious negotiations with MAWU over union recognition, pay and conditions.

Over the last month an industrial court has been in session in Pietermaritzburg to adjudicate on MAWU's demands for reinstatement of the sacked workers, who they claim were illegally dismissed. The loss of jobs has caused acute distress for the 15,000 people of Mpophomeni, which was built to house the black labour force of BTR and other local businesses who were forceably removed in the late 1960s from their homes on the fringes of white Howick.

Reinstatement of the sacked strikers would lead to the dismissal of the 800 newly-recruited BTR workers –

MAWU, which claims nearly 60,000 members is affiliated to the Congress of South African Trade Unions (Cosatu) and is recognised as one of the most militant of the emerging black unions. Since losing its struggle for recognition at BTR the union has campaigned strongly for international support, especially from the British Trade Union Congress (TUC).

● Violence in South Africa's goldmines flared again at the weekend as 10 miners were killed and over 50 injured in a further eruption of what mine-owners Anglo American Corporation described as "tribal faction fighting" at its Vaal Reefs mine 150 km south west of Johannesburg. Last month 13 miners were killed when fighting broke out over attempts by union activists to enforce a boycott of local taverns. Mine security forces were called out to quell the fighting.

Press freedom fears, Page 3

Reagan under renewed pressure

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

THE WHITE HOUSE came under renewed pressure yesterday to give a full account of the Iran arms scandal despite President Ronald Reagan's admission that the implementation of the Iran policy was "flawed."

In a further step to try to defuse the controversy, a contrite Mr Reagan said in his weekly radio broadcast: "It is obvious that the execution of these policies was flawed and mistakes were made."

But even close friends of Mr Reagan, including Republican Senator Paul Laxalt, agree that if the President is to begin to restore his credibility full disclosure of the facts surrounding the controversy is urgently needed.

Conceding that the steady drip of unofficial information about the Iran dealings is eroding the strength of the Presidency, Mr Laxalt said in a television interview yesterday that the White House needs to "marshall all the forces of the federal government, the FBI and everything else, and get ahead of the information curve."

The flow of information tending either to contradict White House accounts of the way the Iran arms sales led to the provision of funds to administration – backed Contra guerrillas in Nicaragua or to embarrass the Administration continued over the weekend. It was disclosed that Mr George Shultz, the Secretary of State, and other State Department officials had solicited from the Sultan of Brunei, several million dollars of financial help for the rebel forces attempting to overthrow the Nicaraguan Government.

Mr Shultz who is scheduled to testify on the Iran controversy this morning before the House Foreign Affairs Committee seems certain to be questioned about these reports which have not been denied.

In a separate report yesterday the Miami Herald claimed that the National Security Agency had information implicating Iran in the truck bombings of the American embassy and the Marine barracks in Lebanon in 1983.

There was continuing controversy too in Washington about the make up of the President's staff. On Friday Republican leaders, after meeting with Mr Reagan, reported that he was standing behind the embattled White House chief of staff Mr Donald Regan and Mr William Casey, the director of the Central Intelligence Agency. Top Repu-

Continued on Page 18

Alliance fears, Page 2; Iranian links, Page 4

Shipbuilders seek 30% subsidy

BY LUCY KELLAWAY IN LONDON

EUROPEAN shipbuilders moved closer at the weekend to resolving the vexed issue of subsidies by agreeing that the minimum permissible subsidy in EEC member countries should be 30 per cent.

This view will be presented by Mr Peter Sutherland, EEC commissioner for competition policy, to the Council of Industry Ministers when they meet in Brussels on December 22. If they adopt the recommendation, it will mark a triumph for the UK and Italy, which have argued strongly that the 26 per cent subsidy suggested by the Commission is not enough to allow their shipbuilders to compete with the low cost producers in the Far East.

Mr John Moore, UK Transport Secretary, yesterday described the agreement by the EEC Shipbuilders Linking Committee as extremely significant, as it was the first time they had made a united stand on subsidies, and argued that their view would probably be reflected in the ministers' final decision.

Until now EEC ministers have been in disarray over devising a new directive to replace the present arrangement on subsidies which expires at the end of the year. While Italy and the UK have pressed for more assistance, other members including West Germany, The Netherlands and Denmark, whose industries are relatively efficient, have argued for a much lower level of subsidies of less than 10 per cent.

Under the present rules, member countries provide different levels of subsidy, with 20.5 per cent given in the UK, 4 per cent in West Germany, and 23 per cent in France and Italy. However, these only cover direct payments, and after other hidden arrangements are taken into account, the effective rates of subsidy are much higher.

The existing directive requires countries to make progressive reductions to the support given to the industry, with the result that European shipbuilders have seen their competitive position steadily eroded. The industry hopes that the new directive, which will put all countries on an equal footing, and will cover all forms of aid, both direct and indirect, will give it a new lease of life.

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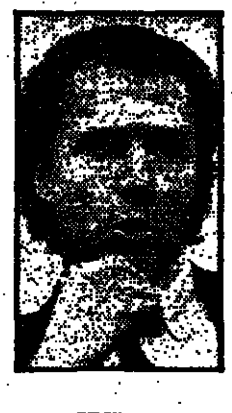

THE MONDAY PAGE

INTERVIEW

THE EUROPEAN SUMMIT

DAMAGE FEARED TO WESTERN ALLIANCE

US Iran arms row worries leaders

BY ROBERT MAUTHNER, DIPLOMATIC CORRESPONDENT

THE 12 European Community Heads of Government expressed concern at their summit meeting in London last weekend that the row in the US over arms sales to Iran could weaken the western alliance.

While the domestic situation in the US was not directly discussed, it was clearly in all the leaders' minds when they talked about East-West relations and the related problem of US-Europe relations over dinner at Downing Street on Saturday night.

Great care was taken by the participants not to criticise the US too openly, either for exporting arms to Iran or for the stance taken by President Reagan on nuclear arms reductions at his summit meeting with Mr Mikhail Gorbachev, the Soviet leader, in Reykjavik last October.

Indeed, Mrs Margaret Thatcher, the British Prime Minister, stressed at her final press conference in her capacity as President of the European Council that "anything that weakens America weakens Europe and the whole of the free world."

She hoped that a "constructivea nd forward-looking approach" would soon reassert itself in the US, for the world needed its leadership.

Yet behind these friendly and encouraging sentiments lay real anxiety about the damage done to Washington's international position.

Mr Bettino Craxi, the Italian Prime Minister, was quoted by officials as saying that the uproar over Iranian arms had undermined US credibility. Mrs Thatcher, too, publicly admitted that, because of Washington's problems, it was all the more important that Europe should show itself to be united and to be "a stable centre of democracy."

British officials, in particular, were at pains to emphasise that the Soviet Union must not be given the impression that it could exploit President Reagan's domestic difficulties to prise Western Europe away from the US.

On arms control, several of the leaders were unhappy that the US had not consulted them before President Reagan made his offer in Reykpavik to abolish all strategic nuclear missiles in 10 years.

The British Government, on the other hand, is satisfied by the undertakings given by President Reagan to Mrs Thatcher at their meeting in Camp David last month. The two leaders agreed that the way forward on arms control lay in a 50 per cent cut in US and Soviet strategic nuclear weapons over five years, coupled with an agreement to reduce medium-range weapons to 100 each in Soviet Asia and the continental US and a ban on chemical weapons.

Summit views: Mrs Thatcher and Jacques Delors at the final press conference

That position was broadly adopted in London by those European Community governments which are members of Nato.

On the Middle East, Mrs Thatcher said that thet European leaders recognised that there was "something of a vacuum" in attempts to find a solution to the Arab-Israeli conflict and the Iran-Iraq war. The European Council emphasised the need for a fresh impetus to be given to the peace process, without specifying what form this should take.

The Prime Minister did not hold out much hope for the entry of Turkey into the European Community within the foreseeable future. She said the Community would first have to "digest" new members like Spain and Portugal.

Mrs Thatcher also firmly reiterated Britain's support for a unitary state of Cyprus under a federal system. "We would be deeply concerned should Cyprus ever become two separate states," she said.

Thatcher backs down over jobs

BY QUENTIN PEEL !

MRS THATCHER, the British Prime Minister, backed down, in the face of strong arguments from EEC partners, to endorse negotiations at community level between trade unions and employers as part ofthe unemployment strategy.

Her proposals for tackling the jobs crisis, including promoting small businesses, increasing labour flexibility, and removing red tape, were balanced by a commitment to the European Commission's "co-operative growth strategy," involving thorough negotiations with both sides of industry.

The "presidency conclusions" of the summit issued by Mrs Thatcher also stressed the importance of social and economic cohesion to boost the economic growth of porer part f the community, as a counterpart to the removal of trade barrier to a genuine Common Market — another linkage opposed by Mrs Thatcher.

Bargaining over such oconcessions in any 12-nation economic strategy pushed the summit into Saturday afternoon, after an extensive debate on Friday.

Up to the last, Mrs Thatcher resisted any reference to "social dialogue," involving unions and employers, being included in the final communique, in spite of the arguments of fellow conservatives such as Mr Helmut Kohl, the West German Chancellor, and Mr Giulio Andreotti, the Italian Foreign Minister.

Eventually she agreed tu "welcome the progress made in discussions at European level between the social partners" and invited the European Commission to continue its efforts "to encourage this co-operation."

The debate emphasised the divide between the British Government's economic approach and that of most of the rest of the community.

There was a broader common front between Britain, France and West Germany in resisting too specific a commitment to policies requiring greater budget spending by Brussels: on the social and regional funds and on an ambitious research programme.

On the former they agreed to wait for the proposals of Mr Jacques Delors, the commission president.

On the Ecu 7.7bn (£5.6bn) research programme proposed by the commission, the summit urged research ministers (meeting tomorrow) to reach agreement—but avoided any commitment to a sum of money, given the British, French and German objections to anything so ambitious.

In return for her concessions, Mrs Thatcher won endorsement for her own ideas of deregulation and labour market flexibility and for specific commitments to removing trade barriers.

The heads of government spelt out a list of measures on which they wanted decisions in 1987. They included:

- Agreement on the next phase for freer movement of capital throughout the community;
- Progress in opening the market in financial services including insurance;
- Mutual recognition of testing and certification;
- Full arrangements for a single market in road haulage by 1992;
- Opening public purchasing to cross-border competition;
- Mutual recognition of professional qualifications.

They also instruced officials in Brussels to reach agreement before the end of the year on two proposals concerning public purchasing and common information technology and telecommunications standards.

They called on their transport ministers to make further progress on deadlocked plans for greater airline and maritime transport competition.

The one area in which they failed to agree even on a form of words of exhortation was agriculture—the crisis part of the EEC budget. In spite of a farm ministers' meeting today, wit hbig dairy and beef reforms on the agenda, they could not agree on a common line.

Tough line sought against terror

BY QUENTIN PEEL

JOINT ACTION to fight terrorism, illegal immigration and drug trafficking, with tighter controls at external frontiers, is essential if the EEC is to achieve free movement within and between the 12 member states, the heads of government agreed.

They gave their blessing to consideration of both a common visa policy for the Community and common criminal legislation for drug offences, as well as a single list of banned drugs for all member states.

The summit conclusions put the stress in countering both terrorism and drug trafficking firmly on the need for tighter controls and greater co-operation, due to be considered again tomorow at a meeting in London of EEC Interior Ministers.

The EEC leaders also underlined the need for controls to prevent the abuse of the right of asylum—a major concern for West Germany facing a flood of such applications from travellers through East Berlin from countries such as Sri Lanka They agreed "that asylum should not be granted for economic and financial reasons and that steps must be taken to counter abuse"

At the urging of Mrs Margaret Thatcher, the British Prime Minister, they agreed on three principles to "govern their common fight against terrorism."

- No concessions under duress to terrorists or their sponsors;
- Solidarity between the member states in their efforts to prevent terrorist crimes and bring the guilty to justice;
- Concerted action in response to terrorist attacks on the territory of a member state, and to evidence of external involvement in such attacks.

The third point refers clearly to Mrs Thatcher's disappointment with the slow Community response over Britain's break in relations with Syria after the attempted bombing of an Israeli airliner at Heathrow.

The interior ministers meeting under the chairmanship of Mr Douglas Hurd, the British Home Secretary, have been told to discuss and agree arrangements for extradition—with the UK promising to change its extradition laws to fall in line with the European Convention on extradition.

France, Greece and Ireland have also promised to ratify the European Convention on the Suppression of Terrorism, bring all the member states into line with both agreements.

On drugs, the EEC leaders endorsed the work of the interior ministers, and also called for co-ordinated legal action to seize the assets of a convicted drug peddlar in any Community member state.

They will also ask EEC ambassadors based in drug producing countries to recommend ways in which the Community can help fight the trade.

Reports on harmonised drug legislation, and a list of banned drugs for the whole Community, will be submitted to the next summit.

On public health, they agreed to co-ordinate national campaigns to improve public awareness of the dangers of Aids, exchange information to prevent the spread of the disease, and co-operate on research into a cure.

They also agreed to launch a European Cancer Information Year in 1989 to develop "a sustained and concerted information campaign . . . on the prevention, early warning and treatment of cancer."

Student swaps, duty-free proposals to be revived

BY QUENTIN PEEL

THE EEC summit has called on thet European Commission to reconsider its action in withdrawing two plans in the past 10 days—one to promote student exchanges, and the other to reinforce the system of duty-free travellers' allowances.

The Commission took the actions because it argued that the member states had "emasculated" its proposals in their negotiations. Unless the Commission agrees, the plans must lapse.

One pla nis for a Ecu 175m (£128m) student exchange programme called Erasmus, enthusiastically backed by the smaller and poorer member states, to set up joint university programmes and give travel grants. Britain, France and West Germany all want to cut the size of the scheme.

Gr Garret FitzGerald, the Irish Prime Minister, backed by Mr Ruud Lubbers of the Netherlands and others, argued for Erasmus to be revived. However the Commission is only likely to do so if it can be discussed by foreign ministers—not education ministers.

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Contest where all the entrants are winners

By Tim Dickson

ATTENDING an EEC summit puts one a little in mind of the Eurovision Song Contest.

Admittedly, there are only 12 performers—but each has his or her own carefully rehearsed tune. There is a well known compère—in this case Mr Bernard Ingham, the British Prime Minister's spokesman, the man paradoxically best known at Westminster for the fact that he does not exist.

Appropriately out of sight of the public, there are the national "juries"—spokesmen, heads of government (when not performers) and journalists who gather in crowded "briefing" rooms respectively to deliver and report on their verdicts.

Such occasions are also noted for "tactical" voting—the practice of one country's jury refusing to award any points for a performance widely appreciated elsewhere in the hope (many suspect) that this will advance their own cause in the competition.

Thus Dr Garrett Fitzgerald and President Francois Mitterrand—with references to co-operative growth strategies and other reflationary devices which were worked into the final communiqué—managed to stifle some of the applause for the much fancied British entry—"Business and Jobs" by Maggie and the Suply Siders.

The French, who had earlier taken London by storm by arriving in a 54-car cavalcade from RAF Northolt, nevertheless created some confusion for themselves by again putting up two contestants—the Socialist Mr Mitterrand and his Conservative Prime Minister Mr Jacques Chirac.

Mr Mitterrand, however, was clearly determined to hog the centre of the stage and delighted the "audience"—journalists in search of a good story—by refusing to allow both Mr Chirac and his Foreign Minister, Mr Jean Bernard Raimond, to join him at the Summit table. Mr Raimond departed early for Paris.

Other artists, meanwhile, failed to live up to expectation. Mr Helmut Kohl, for example, had been expected to make a particularly earthy contribution having made clear through his spokesman early on Friday that he was planning to emphasise his Government's concern for the incomes of small farmers.

This is music to the ears of those rural voters who will play a key part in next month's Federal elections, and German journalists—who have to cope with inconveniently early deadlines—rushed away to write their reviews.

By most accounts next day, however, Mr Kohl's lyrics were barely noticed on the night.

Another surprisingly low key act was that of Mr Ruud Lubbers, the Dutch Christian Democrat Prime Minister.

Conscious of criticism in the European Parliament that his Government is somehow "soft" on drug traffickers, he had arrived in London with some impressive statistics showing that the Netherlands is actually succeeding in impounding larger quantities of cocaine and heroin than the UK and France.

The question remains as to who won this year's contest. In a sense, of course, they all did.

Nobody, not least the British Presidency, attempted any of the electorally popular but technically difficult scores like "CAP reforlm" and "The Budget Batte," with the result that relative harmony was maintained throughout.

For sheer inventiveness, however, Italy's Bettino Craxi deserves high marks. In the absence of much other "news," he was widely leaking his plan (to be formally announced this week) for a special EEC fund to finance projects relating to protection of the environment and cultural heritage.

As one wag pointed out, "Venice in peril" has a much better ring.

EEC banks' accounts accord likely

BY WILLIAM DAWKINS IN BRUSSELS

EEC FINANCE ministers look set to agree today on a proposal that will oblige banks and other financial institutions to put more information in annual accounts.

The main impact of the measure, which is due to come into effect from the end of 1990, would be to make it easier for investors to compare accounts produced by banks in different member states. But it could also lead to the end of the practice of including hidden reserves in balance sheets, an accounting device which has been deplored by critics who argue that banks have a duty to give the public a fair picture of their real financial health.

Britain, as chairman of the Community, has put forward a compromise which EEC officials believe has a good chance of reconciling opposite national positions on whether or not the directive should scrap hidden reserves.

Banks would only have to abandon hidden reserves if they wanted to under the British proposals. UK officials argue that market forces—such as investors' and depositors' need for full financial information—would eventually force banks throughout the Community to fall into line with the directives' original intentions.

If the British compromise does come off, it will mean that the directive, put forward by the European Commission only last June, will reach agreement with almost unheard of speed. But to do that, it will have to satisfy West Germany, the Netherlands and Luxembourg, which argue that having hidden reserves, created by undervaluing credit portfolios to guard against unspecified bad debts and claims, is a prudent banking practice.

The Bonn Government in particular has been under pressure from small private banks, which under present German law are only forced to publish the barest financial details.

At the other end of the spectrum, Italy, Spain and the UK believe that hidden reserves are against the spirit of the EEC's fourth directive on company law, which rules that annual accounts must give a true picture of companies' financial positions.

Venezuela acts to stimulate economy

By Joe Mann in Caracas

VENEZUELA devalued the bolivar at the weekend as part of a package which President Jaime Lusinchi said was designed to correct serious deviations in the economy.

In an announcement broadcast on television and radio, he said the package included a plan to help many private sector companies pay off foreign debt; and increases in minimum wages for urban and rural workers as well as for some government employees.

The cabinet also approved a continuation of price controls for a list of goods and services considered essential by the authorities; continued subsidies in several areas affecting low-income families; a five-year development programme for the electric power industry; the elimination of obligatory government approval for new industrial projects and other changes.

The measures included a package of government subsidies totalling about $2.8bn), said President Lusinchi.

The Government hopes the changes will pave the way for pulling the economy out of a long recession,

President Luichni said the new official exchange rate for the bolivar would be 14.50 to the US dollar, a 48 per cent drop from the 7.50 rate created last January.

The 7.50 rate will remain, but for limited imports of food, medicine and clothing, while the free market, where the bolivar sells for just under 25 to the dollar, will be severaly restricted.

S African editors to meet on fresh fears for press freedom

BY ANTHONY ROBINSON IN JOHANNESBURG

EDITORS of newspapers belonging to the four major Afrikaans and English press groups in South Africa are due to meet today to try to head off government threats further to restrict press freedom.

They will seek ways of giving "sharper teeth" to the Media Council, the independent media watchdog. Their proposals will be presented to a special Cabinet committee headed by Mr Chris Heunis, Minister of Constitutional Development, tomorrow.

The move follows two meetings between President P. W. Botha and senior Cabinet Ministers and the four press groups over the past two weeks.

During these the President expressed his displeasure with the way in which the press, especially the "alternative" and foreign press, have operated during the state of emergency.

His attacks also extended to several right-wing Afrikaans papers which reflect the views of extreme right-wing parties and the paramilitary Afrikaaner Weerstandsbeweging (AWB).

Mr Botha presented a proposed "code of conduct" which would greatly extend the restrictions already placed on the media by the state of emergency regulations and the ban on television and photographic coverage of unress. These were necessary, he argued, to combat what he called "the revolutionary onslaught" to which South Africa was being subjected.

The National Press Union (NPU), which represents the two major English language press groups, Argus and Saan, and the two Afrikaaner groups, Nasionale Pers and Perskor, which publish the main national and provincial papers and news magazines, including those aimed at black readers, conceded the existence of a "revolutionary onslaught."

But it argued that, rather than face fresh stautory or legislative restrictions on the media, it should be allowed to submit proposals for increasing the scope and powers of the Media Council.

Until now, the 28-man council, set up three years ago and presided over by a retired judge, has concerned itself mainly with complaints from the public.

It was not designed to deal with political issues arising out of the state of emergency and the unrest, which has claimed more than 2,300 lives over the past two years.

The state of emergency restrictions have drastically curtailed the media, and specially television and photographic coverage of unrest and security force action, but several papers have sought in various ways to flesh out official accounts provided by the Bureau of Information.

They often, for example, publish edited eye-witness accounts which contradict the official reports.

Japan braced for tough talks in Brussels

BY IAN RODGER IN TOKYO

JAPANESE officials are bracing themselves for a rough time on Thursday when Japan's Foreign Minister, Mr Tadasin Kuranari, meets European Commission leaders in Brussels.

In particular, they are dreading having to tell the Europeans that the reform of Japan's tax régime on wines and spirits—which the Europeans claim discriminates against imports—is still by no means assured.

For the past several months, the Japanese have been fending off European demands that the system be changed by saying that a major overhaul of the country's tax system was proceeding.

Yesterday, the final shape of that tax reform was revealed, but it also became clear that the Government and the ruling Liberal Democratic Party (LDP) were still not near agreement on liquor tax changes.

On the contrary, the Prime Minister, Mr Yasuhiro Nakasone, yesterday asked the chief Cabinet Secretary, Mr Masaharu Gotoda, to undertake fresh consultations with party leaders and interested ministries in an effort to find a solution to the liquor tax problem.

The Europeans are demanding that the Japanese system of grading wines and spirits for tax purposes be abolished. In practice, all imported spirits in Japan are placed in the highest grade, thereby attracting the highest rate of tax, while many domestically produced spirits are in the lower grades.

There is strong opposition within the LDP to abolishing the grading system. Politicians fear that taxes and prices would go up on locally-produced spirits, a development that would be unpopular with voters.

Foreign Ministry officials suspect that the best they can hope for is a reduction in the considerable disparity in the tax rates between the grades. But they know this would be unacceptable to the Europeans.

Thursday's meeting is one of a regular annual series of ministerial consultations between Japan and the EEC, which normally covers a wide range of issues.

This time, because of the sharp increase in Japan's trade surplus with the EEC this year, the talks are expected to focus almost exclusively on trade.

European distillers plead against duty-free move

BY WILLIAM DAWKINS

EUROPEAN spirits producers are pleading against a surprise decision by the Brussels authorities to withdraw a proposal that would have given a formal legal basis to duty-free shops in the EEC.

The UEAES, the European distillers' association, is calling on Community Finance Ministers to reverse the European Commission's move when they meet in Brussels today and introduce legal protection for the duty-free trade.

The Commission withdrew a draft scheme for a better-organised system of duty-free allowances late last month, after refusing to accept a compromise put forward by the British Government

A Commission official pointed out yesterday that the only way the Brussels authorities might ultimately be forced to "reintroduce the directives concerned would be for the Council of Ministers to take legal action."

Mr Tim Jackson, a spokesman for the spirits' producers' group, said there was "an urgent need to give stability to an important sector of intra-Community trade and export trade by stating that the duty-free trade is safeguarded until such time as community fiscal harmonisation is achieved."

Duty-free sales make up between 10 and 15 per cent of European producers' sales to the Community. "The duty-free trade represents a substantial economic activity on which many thousands of workers depend," and the present uncertainty was "harmful to everyone," said Mr Jackson.

In a separate move, Mr Edouard Balladur, the French Finance Minister, is expected to make a formal complaint at today's meeting over delays encountered by a Commission proposal to permit France to charge lower import duties on rum made in its overseas regions.

The four-year-old proposal would regularise the current French practice of discriminating in favour of French overseas rum producers,

Herrero to lead Spanish party

BY DAVID WHITE IN MADRID

MR MIGUEL HERRERO DE MINON has become *de facto* leader of the Spanish opposition by being given temporary executive powers at the head of the conservative Popular Alliance (AP) after Mr Manuel Fraga's resignation last week.

At present he is the AP spokesman in Congress. He will be in charge during an interregnum up to a special congress due to beld in February or March.

Therefore he is well placed to bid for the leadership permanently.

However, a meeting of the party's executive committee last Friday provided evidence of strong rivalry for the succession.

A compromise gave Mr Fraga's title of president to Mr Geraldo Fernandez Albor, 69, head of the regional government in Galicia, but transferred power to Mr Herrero.

The proposals were endorsed at the weekend by nearly 200 members of the party's national council. Only seven voted against.

Mr Terrero, 46, a former member ofthe centrist Democratic Centre Union (UCD) belongs to a younger generation of Spanish conservatives but admitted in an interview with the Madrid daily newspare, Y, that he was "not a charismatic leader."

Chernobyl led to milk stock rise

BY WILLIAM DULLFORCE IN GENEVA

THE ACCIDENT to the Soviet nuclear reactor at Chernobyl in April led to an unexpected increase in Europe's already overburdened stocks of butter and skimmed milk powder, the General Agreement on Tariffs and Trade (Gatt) states in its annual report on the dairy products market* published today.

Demand for fresh milk fell temporarily in many parts of Europe as consumers were frightened by the high radiation levels reported from some pasture areas. More milk was processed into products, a substantial share of which went straight into stocks.

Gatt is particularly gloomy about the outlook for trade in butter, stocks of which have just reached a new peak of 1.45m tonnes in the European Community. World butter exports rose by around 5 per cent to some 820,000 tonnes in 1985 and a further small increase had been forecast this year.

In the event the butter market has remained depressed, raising serious doubts whether there will be any increase at all in butter exports this year. Efforts by the EEC to sell old butter at a heavy discount and US attempts to dispose of butter and cheese under the 1985 Food Security Act have not succeeded.

Plans to curb milk production, which took effect in some countries, notably in the EEC, last year, appear to be petering out. Increased output and slack demand for some dairy products will result in a further accumulation of stocks in 1986, Gatt warns.

World market prices for butter remain at or just slightly above the minimum export price of $1,000 (£700) a tonne set under Gatt's International Dairy Agreement, which covers 25 countries including 10 from the EEC, but not the US.

Dollar prices for butter and anhydrous milk fats were kept unchanged at the review in October, despite the sharp fall in the exchange rate of the dollar. Small increases were allowed in milk powders and cheeses.

Total world milk output rose by 1.4 per cent to 507.5m tonnes last year. The 1.7 per cent decline in EEC production brought about by the introduction of a levy on excessive deliveries was more than outweighed by an increase of more than 6 per cent in US output and a further substantial increase in the Soviet Union.

* *The World Market for Dairy Products 1986, available from the Gatt secretariat, 154 rue de Lausanne, 1211 Geneva 21, price SFr 12.*

Radioactive tea brews trouble

BY DAVID BARCHARD IN ANKARA

THE TURKISH Government is under fire from the press for allegedly concealing high levels of radioactivity in tea grown on the Black Sea coast.

Hazelnuts, another coastal crop, have been known for some time to contain abnormally high radiation levels this year. The hazelnut crop from the Giresun area contains a minimum of 2,000 becherels, while levels of over 4,000 have been monitored in the crop from the eastern Black Sea.

Turks, for whom a glass of "chay" from a samovar is part of their way of life, are now being told by newspapers that studies carried out in West Berlin have shown that seven out of nine samples of Turkish tea tested had radiation levels over 600 becherels.

Six hundred becherels is the maximum radiation level allowed in foodstuffs by European Community health regulations.

The Industry Minister said radiation had now fallen to safe levels. He also said that when tea was boiled radiation fell 70 or 80-fold.

However the opposition leader, Professor Erdal Inönü, one of Turkey's most distinguished nuclear scientists before he entered politics three years ago, has banned the drinking of Turkish tea in the Social Democracy Populist Party headquarters.

Warsaw fails in advisory council bid

BY CHRISTOPHER BOBINSKI IN WARSAW

THE POLISH authorities have failed to coax a number of independent - Roman Catholic leaders on to a new advisory council due to have had its first meeting at the weekend.

The aim was to have the powerful Roman Catholic Church designate prominent laymen to the council which would also have contained people with Solidarity sympathies and present the group as a manifestation of national unity

But talks preceding the formation of the council showed the authorities unwilling to guarantee that it would have any real influence on policy or that its establishment foreshadowed official intentions to recognise authentic movements such as Solidarity, albeit in limited forms.

The church, however, which has favoured the initiative but refused to get directly involved, is keen to play down the failure of the Government, as the authorities have agreed to a Papal visit to Poland in the summer, and General Jaruzelski the Polish leader is due to meet the Pope in the Vatican in mid-January.

Taiwanese opposition party makes surprise advance in elections

BY BOB KING IN TAIPEI

TAIWAN'S RULING Nationalist Party won Parliamentary and National Assembly elections at the weekend by a landslide, but a fledgling opposition party, the first in Taiwan's history, did far better than even its most optimistic supporters had hoped.

Of the so-called "supplementary seats" contested during Saturday's elections, the Nationalists took 61 of 73 seats in Parliament and 73 of the 84 in the National Assembly.

Even without these seats, however, the Nationalists dominate both parties through hundreds of ageing members elected 40 years ago in China. These cannot be replaced until new elections can be held in China under Nationalist tutelage.

While the Nationalist victory came as no surprise, the showing of the newly-formed Democratic Progressive Party did. Officials of the DPP, which in the last elections took six seats in Parliament and five in the National Assembly, had projected winning 10 seats in both bodies this time – but said privately that they would consider eight seats in each a victory.

Instead, the DPP took 12 seats in Parliament and 11 in the National Assembly. The Nationalist Party share of the popular vote also fell by several percentage points from the 73 per cent at the last election three years ago.

Some observers credited the strong opposition showing to the DPP's novelty. Under martial law, which in effect has remained in Taiwan for nearly 40 years, the authorities have banned the formation of new political parties.

Last September, the Government announced that it would soon lift both martial law and the ban on new parties and opposition figures formed the DPP in anticipation of these changes.

The new party may, ironically, have been helped by clashes between supporters and police last week, when a major opposition figure tried to return to Taiwan.

Although the public generally condemned the violence depicted in the largely government-controlled media, video tapes of the events distributed around Taiwan by the DPP showed a version of events that differed significantly from the media account, thereby drawing public sympathy for the new party.

The DPP's call for "self-determination" for the people of Taiwan has worried the government and the more conservative members of the public who fear it masks separatist tendencies.

But DPP officials and sympathisers have responded that self-determination means all the people on this island building a future democratic Taiwan, rather than a renunciation of a possible future unification with China.

Tony Walker on the crisis facing an economy that remains on a war footing

Syria counts the cost of military build-up

SYRIA is still technically at war with its neighbour, Israel, more than 10 years after the last major Arab-Israeli conflagration. The Syrian economy has not budged in that time from a war footing.

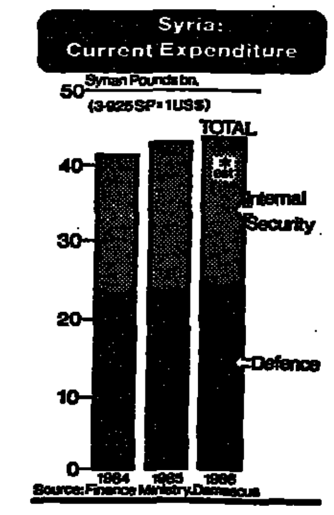
This has placed an enormous burden on a country which is now wilting under the unremitting pressure of a massive diversion of resources to the military sector.

The 1986 budget, which showed a 5 per cent increase in defence spending to Syrian pounds 24,600m ($6.3bn), or 55 per cent of total current expenditure, underlined the fact that, despite Syria's economic malaise, there is no pulling back from President Hafez al Assad's bid for strategic parity with Israel. Meanwhile, Syria's economy exhibits characteristics of a country at war.

Five hour power cuts are scheduled each day in the major cites, water is shut off at night and there are shortages of basic commodities such as sugar, coffee and rice. Some factories have closed for lack of raw materials, others are operating at only a fraction of capacity.

The Government admits to an inflation rate of 23 per cent or 39 per cent, according to which section of the bureaucracy provides the information. Independent sources believe the rate is much higher, possibly in excess of 100 per cent annually.

Shortages of necessities in government shops are forcing people to buy on the black market, where prices have risen sharply recently after a crackdown on smuggling from neighbouring Lebanon. Lavatory paper is a luxury in Syria and priced accordingly.



The merchant class, once the backbone of the Syrian economy, is demoralised. There is little new private sector activity and a number of traders have closed their doors in frustration.

A large importer of consumer goods, whose family has been in business in Damascus for generations, said she had closed down because foreign exchange shortages and delays in clearing letters of credit through the banking system had made it impossible for her to continue.

At the heart of Syria's economic crisis is an acute foreign exchange shortage. Reserves are minimal, perhaps as low as $30 to $60m. Regular subventures from Saudi Arabia are about all that stands between Syria and insolvency.

The Saudis, who provide about $540m annually, are the only ones honouring the Baghdad Arab League summit agreement of 1978 which established levels of funding for front-line states confronting Israel. Kuwait suspended its payments at the end of 1985 in protest at Syria's support for non-Arab Iran in the Gulf War.

Saudi Arabia is reported to have provided emergency funds of about $200m beyond its Baghdad commitment, but there is no lasting relief in sight for Syria.

Syria's armed forces of more than 400,000 and up to seven security branches employing a further 200,000 men account for a huge and essentially non-productive chunk of Syria's workforce out of a population of 11.5m, half of whom are under 14.

Another burden on the Syrian economy is a highly centralised administration and impenetrable bureaucracy. This has proved a severe handicap for even the most resourceful Syrian entrepreneurs.

Dr Mohammed Imadi, a well-regarded US-trained economist who was appointed Minister of Economy last year, has liberalised foreign investment rules in an attempt to encourage new investment. This has not materialised and capital flight is a serious problem.

"Most people have got very little sympathy for the Government's economic policies," said a Western observer. "Everybody you talk to knows they are doing a bad job. Syrians have been capitalists for hundreds of years. They believe they can do better."

Syria is seeking where possible to purchase on credit. There are reports in Damascus that the Syrians recently negotiated a 1.2m tonne wheat agreement with France on highly preferential terms. Talk in the Syrian capital of possible arms and foodstuffs agreements with the French coincided with an end to the bombing campaign on the streets of Paris.

Syria's cash squeeze has forced a curtailment of construction projects. Cranes stand idle next to half-finished high rise buildings. Work appears to have come to a virtual standstill on a new presidential palace overlooking Damascus.

Only projects that have the highest priority continue, such as an impressive sporting complex at Latakia on the coast in northern Syria which is to be the site of the next Mediterranean games. There are doubts, however, that it will be finished in time.

Agricultural sector imports are accorded priority. Cash, or goods to barter, is found for fertilisers and insecticides (Syria has a durable insect population.)

Syria has been successful in stabilising its foreign exchange market by introducing draconian penalties for black market trading of up to 25 years' jail with no right of appeal. It has also introduced a flexible rate which corresponds more or less with the value of the Syrian pound traded in neighbouring Lebanon and Jordan.

The stringent foreign exchange measures have stopped the black market, but appear not to have increased significantly the flow of hard currency through the banks, which continue to be starved of funds.

The oil price collapse and the slowdown of activity in the Gulf has hit an important source of funds. Workers' remittances through official and unofficial channels are believed to be down, although by how much is unclear.

Western embassies advise their nationals to approach business dealings with Syria with utmost caution, citing as reasons an opaque bureaucracy and uncertainties about payments.

The Hindawi affair has cast a shadow over Syrian attempts to extract aid from the Western bloc. After the conviction in London of Nezar Hindawi, a Jordanian carrying a Syrian passport, on charges of plotting to blow up an Israeli El Al airliner, Britain indicated that it would veto proposed European Community assistance to Syria. The US terminated all economic assistance to Syria in 1983.

Syria's disbursed outstanding foreign debt, according to World Bank statistics, is about $3bn. A growing number of banks have been reporting arrears on debt payments, and Syria's capacity to borrow is extremely limited.

The petroleum sector provides perhaps the one bright spot in the Syrian economy. A new oil field in eastern Syria has come on stream, reducing Syrian dependence on imported crude to about 70,000 barrels per day from the previous 100,000 b/d.

The consortium of Western companies, led by Pecten of the US, which discovered the new oilfield, has identified other promising deposits. It is possible that, by the mid-1990s, Syria may be self-sufficient in oil, but in the meantime prospects for a revival of the Syrian economy are bleak.

Tension rises over Berlin escapees

By Leslie Colitt in Berlin

A RISE in the number of East Germans trying to escape to the West and risking being shot at by East German border guards has increased tension between East and West Germany.

The increase in escapes began last July, shortly before the 25th anniversary of the building of the Berlin Wall. The latest was that of a 29-year-old East German who made it across the wall unharmed.

On Wednesday the city government of West Berlin and the three Western allies in the city condemned the firing of seven rounds by border guards at two fleeing East Germans.

One of them, an 18-year-old, was caught. His 22-year-old companion scrambled over the 13 ft (3.9m) barrier to West Berlin.

An apparently fatal shooting last week of an East German escapee who had almost reached the roll bar on the wall, led to a sharp protest by the West German Government to East Germany's permanent representative in Bonn.

West Germany said that the incident had severely strained relations. These were already feeling the effect of a deep chill between Bonn and Moscow over remarks by Chancellor Helmut Kohl comparing Mr Mikhail Gorbachev, the Soviet leader, to the Nazi propaganda minister, Joseph Goebbels.

Before that contacts between the two German states had held up remarkably well in spite of Moscow's mistrust of the Christian Democrat-led Government in Bonn.

This year 26 East Germans have escaped to West Berlin, including four border guards in uniform. A larger number of attempts are believed to have been foiled.

The total number of escapes from East European countries into West Berlin and West Germany reached 172 at the end of October compared with 160 last year.

The border escapes to the West rose from six in June to 21 in July, 26 in August, 37 in September and 50 in October.

Mr Winfried Fest, spokesman for the West Berlin Government, said that one of the reasons for the increase in escapes was the growing frustration of East Germans whose applications to emigrate to the West have been rejected.

Israel split over Arab unrest

BY ANDREW WHITLEY IN JERUSALEM

A ROW erupted in the Israeli Cabinet yesterday over policy towards the occupied territories following the recent violent disturbances, the worst since Israelis captured the region in 1967.

Three Palestinians have been killed, and over 70 arrested in the widespread wave of trouble which persisted over the weekend. By last night the disturbances appeared to be dying down, though shops remained closed in Arab East Jerusalem for the second consecutive day.

Left-wing Israeli students in Jerusalem, Tel Aviv and Haifa yesterday demonstrated in support of their Arab colleagues.

At the Cabinet meeting, demands by Mr Ariel Sharon the ultra-hawkish Industry and Trade Minister, for increased Jewish settlement, as a means of countering Arab unrest, was strongly resisted by Mr Yitzhak Rabin, the Defence Minister.

An increase in Jewish settlement near centres of Arab population would simply require more soldiers to defend the settlers, Mr Rabin is reported to have vehemently argued. While a *de facto* freeze has been in force since 1984 on the number of settlements built in the West Bank and the Gaza strip, their population have doubled over the period.

Countering criticism that the army and para-military Border Police had behaved excessively harshly, a Cabinet communique said they had "acted properly" and would do likewise in the future.

Iran pursues Lebanon truce

IRANIAN EMBASSY officials attempted yesterday to build on a Lebanon truce considered partially successful, despite continued shooting around Palestinian camps and rejection of the accord by Mr Yassir Arafat's Fatah faction of the Palestinian Liberation Organisation, Reuter reports.

As sporadic crackles of machine-gun fire echoed from hillside battle lines above Sidon, the diplomats held a third round of talks in two days with officials of the Shia Moslem Amal militia and its Palestinian guerrilla foes.

21 killed in Sri Lanka clashes

BY MERVYN DE SILVA IN COLOMBO

TWENTY-ONE civilians have been killed in an outburst of communal violence in the racially-mixed eastern province of Sri Lanka.

In the first incident at Kattandudi, a mainly Moslem village, seven home guards and a woman and child, all Moslems, were shot dead by Tamil rebels. Retaliation was quick. A busload of passengers, including several state transport board employees, were massacred. Among the victims was a Sinhalese.

First reports said the killers were Moslem home guards but a correspondent of the independent newspaper, Island, called them an unidentified armed group. This fuelled Moslem suspicions that there was a deliberate plan to trigger Tamil-Muslim clashes in the Eastern Province.

The province, with its mixed ethnic composition, is the real source of contention in the negotiations between the Government and the separatist Tamils, with India as mediator.

The Tamils are demanding a homeland which, in effect, means a merger of the nearly 100 per cent Tamil north and the east, where the Tamils are the largst community, but not a majority.

Mr Rajiv Gandhi, the Indian Prime Minister, has supported the Sri Lanka Government in rejecting the idea of a merger. However, he seems sympathetic to the compromise formula of a linkage between the north and the predominantly Tamil districts of the east, with a corridor to link non-contiguous areas.

Rise in demand for oil unlikely to be sustained

BY LUCY KELLAWAY

THE STRONG rise in oil demand this year will not be carried forward into 1987, the International Energy Agency, the Paris-based research group, says in its latest monthly oil report published today.

After growing at 2.5 per cent in the first nine months of this year, OECD oil consumption in the first half of next year is forecast to rise by just 1.5 per cent, up to 1 per cent lower than previous IEA estimates.

The latest figures will do little to cheer ministers of the Organisation of Petroleum Exporting Countries, meeting in Geneva this week in an attempt to secure an agreement on oil production that would push oil prices up to $18 a barrel.

Most of the rise in oil consumption in the third quarter was due to a surge in demand by utilities for heavy fuel oil—consumption in the US rose by 31 per cent in July and August—and to an increase in petrol consumption of about 3-3.5 per cent.

The leap earlier in the year in consumption of middle distillates, which was due to heavy stockbuilding, was not repeated.

The IEA estimates that Opec supply during the third quarter was up to 750,000 barrels a day higher than previously thought, with October production running at 17.3m b/d, which suggests that some members may be producing at higher levels than their temporary quotas.

However, production in November fell back to about 16.5m, with Saudi Arabian and Iraqi production depressed by a pipeline closure.

Third quarter figures show a heavy building of oil stocks, with company stocks up by 2.2m b/d, and by 0.6m b/d in the first nine months of the year.

The rise will be partially reversed during the last quarter, with stocks forecast to be run down at an average rate of 0.9m b/d, leaving the stock level at the end of the year of 441.2m tonnes, some 15.1m tonnes higher than at the outset.

In a special summary on Japan, the Agency shows that demand there differed sharply from the OECD average, remaining almost unchanged since last year.

The reason was a drop of nearly 10 per cent in consumption of heavy fuel oil, brought about by a switch to new non-oil power stations. The decline in fuel oil matched an increase in demand for lighter oil products.

SHIPPING REPORT

Tanker charterers fix early for Christmas

FINANCIAL TIMES REPORTER

THE SHIPPING market appears to have gone into Christmas early this year. In the dry trade, brokers report a general easing in rates, on the grounds that owners generally prefer to have their tonnage employed over the lengthy festive season rather than sitting idle.

According to brokers Denholm Coates, US/Gulf grain rates are particularly weak, while Gulf/Japan Panamax levels are down to $11.00 per ton and Gulf/Continental rates down to $6.50 for light cargo.

In the tanker market, by contrast, brokers report a busy week as charterers fix early for Christmas, and the market as a whole is described as fairly buoyant.

In the products sector of the market, some owners appear to have their tonnage on Mediterranean charter until the end of the month, and rates are being pushed to the maximum accordingly.

However, say brokers Galbraith, it seems unlikely that this will continue into the holiday period proper. As traders arrange cover for the latter part of December a flat period for rates is anticipated.

In the sale and purchase market, dealings are similarly active, with values described as continuing firm.

Tanzania investment drive

TANZANIA will issue a new class of residence permit for foreign businessmen as part of a drive to attract foreign investment and boost its economy, Mr Mbwana Bakari, Immigration Director said, Reuter reports.

The permits would be available from January 1 for *bona fide* foreign investors only.

Tourists, students and expatriates in government service will not be able to exchange their current papers for the new class of residence permit, he added.

World Economic Indicators

INDUSTRIAL PRODUCTION

(1980 = 100)

	Oct. 86	Sept. 86	Aug. 86	Oct. 85	% change over previous year
US	115.3	115.3	115.2	113.8	+1.3
	Sept. 86	Aug. 86	July 86	Sept. 85	
W. Germany	107.6	104.6	108.1	104.6	+2.9
UK	111.3	110.5	109.9	109.7	+1.5
France	102.5	102.4	103.0	100.6	+1.9
Italy	98.0	97.6	99.0	98.4	−0.4
Japan	122.2	119.1	121.7	121.5	+0.6

Source (except US): Eurostat

Enasa in talks on Moroccan defence deal

By David White in Madrid

THE SPANISH state-owned heavy vehicle manufacturer, Enasa, has confirmed it is negotiating a contract with Morocco as the main part of a defence equipment package reported to be worth $221m (£156m).

The deal, which would include Pegaso Trucks and armoured vehicles made by Enasa, could bring a boost to the company, which is struggling to cut losses after failing to find a foreign shareholding partner.

The Madrid newspaper, El Pais, said the deal also involved three other subsidiaries of INI, the state industrial holding group, which were due to supply parts for the Enasa vehicles and night-vision and communications equipment, as well as Land Rover Santana, the partly Japanese-owned affiliate of Land Rover of the UK.

Half the money for the contract is due to come from a syndicated credit arranged by Banco Arabe Espanol (Aresbank).

Madrid has stepped up military co-operation with Rabat over the past few years, especially with supplies to the Moroccan Navy.

This is in spite of continued worries among Spanish defence officials about potential sources of conflict.

UK URGES KAMPALA PACT WITH IMF

Uganda warned on credit back-up

BY OUR KAMPALA CORRESPONDENT

BRITAIN'S Minister of State for Foreign and Commonwealth Affairs, Mrs Lynda Chalker, has warned that the extending of export credit guarantees to Uganda will depend on the reaching of an agreement between the Ugandan Government and the International Monetary Fund (IMF).

Speaking at a press conference at the weekend during a brief official visit to Uganda, Mrs Chalker said she believed Uganda's economic stability rested on the working out of a plan acceptable to both the IMF and Uganda.

She revealed that talks with Uganda's leader, Mr Yoweri Museveni, has led to their agreeing that Uganda should have an understanding with the World Bank and the IMF.

Mrs Chalker also emphasised that although some £10m in new British aid for Uganda was "unconditional," the restructuring of economic policies along IMF lines would boost outside confidence in Uganda and attract foreign investment.

However, although Mr Museveni's unorthodox policies have so far failed to interest such foreign investment, he is likely to have problems persuading his own National Resistance Movement of the merits of an IMF contract.

At present, the IMF repurchases absorb more than half of Uganda's yearly income from coffee exports.

Mrs Chalker admitted she was not satisfied with a previous IMF programe which effectively funded luxury imports in the early 1980s during ex-President Milton Obote's régime.

But she said she would be doing her best to further negotiations for an agreement beneficial to Uganda and was "convinced it will come eventually."

Mr Museveni proposed the idea of export credit guarantees to the British Government when he visited London last month. British aid to Uganda now totals about £40m, half of which is for the long-term reconstruction of the Owen Falls hydroelectric dam.

Tunisia presses on with economic reforms

BY FRANCIS GHILES

TUNISIA is pressing ahead with a number of major economic and financial reforms in the wake of the agreement reached last month with the International Monetary Fund (IMF) over an 18-month economic recovery programme.

That package included two loans worth SDR 218.4m (£131m) to help the country deal with the large shortfall in foreign income it faces this year because of the decline in the price of crude oil, a disastrous crop due to drought, and the decline in tourist receipts following the US bombing raid on the Libyan capital last April. The trade deficit for the first eight months of the year was Dinars 623m (£510) virtually unchanged from the same period in 1985.

The Government, led by M Rashid Sfar, has just announced that interest rates are due to be liberalised except for those credits affecting the farming sector and small businesses, which account for about 15 per cent of the overall volume.

Depositors will thus benefit from a real return on their money for the first time since independence 30 years ago. Banks will be able to charge their clients no more than 3 per cent above the money market rate, at least for the near future.

The agreement with the IMF aims to cut the budget deficit from 8 per cent of Gross Domestic Product this year to just below 7 per cent next year and 6 per cent by 1991.

State subsidies on a number of basic foodstuffs, notably bread, have thus been cut since last summer, after the government decided on a 10 per cent devaluation of the Dinar.

The Minister of Planning and Finance, M Ismail Khelil, has also decided upon a number of measures to liberalise trade, notably cutting the maximum tariff to 50 per cent and giving freedom of import to those companies which export at least 25 per cent of their output. More favourable terms for foreign oil companies have also been recently announced, with a view to encouraging greater exploration activity.

State investment spending will fall by 4.4 per cent next year to Dinars 389m while the cost of principal rebt repayments will rise by 20.4 per cent to Dinars 408m.

Riot police 'quell protest at Zambian food prices'

By Victor Mallet in Lusaka

TENSIONS are rising in Zambia as the Government's economic austerity programme, supported by the International Monetary Fund, increasingly makes an impact on ordinary people.

At the weekend, the Zambia Daily Mail reported that riot police had fired teargas to disperse demonstrators protesting in the northern copperbelt town of Kitwe against a doubling in the price of high-grade maize meal.

"Mealie meal" is the country's staple food and consumer subsidies are being phased out.

Meanwhile, trade unions representing civil servants, government workers, and teachers have declared a dispute with the government.

They are demanding salary increases of 96 per cent but have been offered only 10 per cent, a figure they described in a statement as "pathetic, unreasonable and unrealistic." Many public service workers earn under 200 kwacha (£11.19) a month.

At the latest weekly foreign currency auction, introduced as part of economic reforms, the kwacha strengthened to K12.10 to the US dollar from last week's all-time low of K15.25, with demand being stifled by the high cost of foreign exchange.

Outlook for jobs has improved, say forecasters

BY JANET BUSH

THE outlook for jobs has improved, and the underlying rate of unemployment has probably started to come down, according to two research groups with broadly monetarist leanings.

Both groups forecast rapid growth during the next few years under a Conservative government and a sharp rise in inflation if Labour come into power.

The Liverpool Group said the key factor in the recent breakthrough had been the Government's Restart programme. In its latest report, the group provides projections based on three possible political scenarios – a Conservative-led coalition, a majority Conservative and a majority Labour government.

In all three, unemployment is forecast to fall, but marginally less progress is expected under a Labour government. The forecast suggests that the sharp raising of borrowing targets planned by the Labour Party would mean a sharp rise in inflation and nominal interest rates.

"What may come as a surprise is how little of a stimulus to output this reflation achieves," Mr Patrick Minford, director of research, said.

Labour policies are forecast to push gross domestic product growth up to 4.5 per cent in 1988, but then growth would drop to 2.1 per cent in 1989 and 1.9 per cent in 1990.

Under a Conservative majority, growth is expected to be 3.5 per cent next year while, with coalition policies, growth is forecast at 3 per cent.

The Liverpool Group assumes £2bn in tax cuts next year. The City University Business School said that under the Conservatives the economy was likely to expand rapidly over the next few years but that the Chancellor would be unwise to cut taxes before the next general election. It said tax cuts at this stage would destabilise the Public Sector Borrowing Requirement and inflation.

Under Labour the economy would expand more rapidly, but if inflation were not to climb, the standard rate of tax would have to be raised to 36p and then 45p by the end of the 1990s.

● British manufacturers cannot afford to make sufficient investment because of high interest rates, an anti-investment tax system and a lack of long-term confidence, according to the Engineering Employers' Federation.

In its submission for the 1987 budget, the federation urged the Government to allow interest rates to fall.

Ballot at Indian banks over closures

By Jimmy Burns, Labour Staff

THE BANKING, Insurance and Finance Union (Bifu) is to ballot its members today on industrial action at three Indian banks threatened with closure. The union claims that the bank managements have refused to ensure either continued employment or adequate severance terms for the majority of the staff.

Bifu members at four other Indian banks are also to be balloted on a motion calling for job security in a move chiefly aimed at getting round a legal ban on secondary action. Some 675 Bifu members are employed by the seven banks involved.

Bifu officials believe that UK staff in three Indian banks due to close on December 29 – Central Bank of India, Union Bank of India and Punjab National Bank – are being made "scapegoats for the failings of expatriate management" with alleged links to Esal, the London-based commodity group which collapsed two years ago with debts of $300m.

The three banks, whose assets and liabilities are to be transferred to the Bank of India, Bank Baroda, and the State Bank of India, were owed $196.9m by Esal, according to documents filed with the High Court in London at the time.

Cook challenge on gold cards

BY HUGO DIXON

THOMAS COOK, the travel agency subsidiary of Midland Bank, has decided to compete aggressively with American Express, the US financial services and travel company, in the prestige gold credit card business.

American Express, the world's market leader, promotes gold cards either directly or through arrangements with banks. The banks, such as Lloyds Bank in the UK, provide banking services – for example, overdraft facilities, and American Express handles the administration and provides extras such as travel agency and emergency money services to turn it into a prestige card.

But banks are finding their clients being "plundered by American Express," Mr Scott Thomson, the director of Thomas Cook's financial services division, said. American Express was trying to cross-sell financial products to them and, in Canada, had even suggested that they switch their bank accounts.

Thomas Cook's approach to the market, which it entered a month ago, has been to put together a similar package of services to the one American Express offers, but to remove any fears that it might cross-sell products by not handling the administration and never seeing the banks' client lists.

Apart from Midland Bank, it has so far managed to sign up Hongkong Bank. It is also in discussions with National Australian Bank and Westpac, the Australian banks, and is negotiating with several of Japan's large banks.

American Express had no comment to make on the developments.

● Midland Bank is to merge its international trade and project finance operation with those of its Samuel Montagu subsidiary to create a single unit within the group, writes Peter Montagnon, World Trade Editor.

The decision, which will become effective next January, is part of the bank's effort to define more clearly the role of Samuel Montagu as an investment bank operating in the securities market.

Effectively it means that Samuel Montagu is giving up its role in trade finance, which is regarded as an activity better suited to its commercial bank parent.

Until now Samuel Montagu has been engaged in project finance, whereas Midland has tended to concentrate its efforts on short-term trade finance.

Midland said at the weekend that the new set-up would broaden the range of products available from a single source.

The new unit will be headed by Mr Tom Robson, currently an assistant general manager of Midland Bank International.

Sickly Forgemasters responds to the company medicine

BY NICK GARNETT

THE UK steel industry was wondering a year ago whether Sheffield Forgemasters would survive.

The group, formed in 1982 by the British Steel Corporation (BSC) and Johnson Firth Brown and the sole remaining British maker of large forgings and castings, Forgemasters had already stacked up losses of more than £60m. It was also locked into a 16-week strike sparked by organisational changes begun by new management brought in at the beginning of 1985 to try to bring the company round.

As one of four joint venture companies between BSC and the private sector set up under the Phoenix programme for rationalising the steel industry, Forgemasters was easily the sickliest and had by far the most disastrous performance. It was not helped by sliding worldwide demand for its heavier products in defence and aerospace markets and among producers of capital goods.

But some of its forgings were on the market at double the price offered by some European competitors, the company was grossly overmanned, occupied too much floorspace and had a shocking delivery performance. Only 50 per cent of its output for the aerospace industry arrived at customers on time.

Mr Philip Wright, a former manager at the Aurora steel company who was brought in as managing director at Forgemasters by a new chairman, Mr Thomas Kenny, said that at that time "the business was constipated."

Within forgemasters' marble and wood panelled offices amid the wreckage of Sheffield's steel industry there is now an air of greater confidence.

The company is making a trading profit at last, and the management believes that there is a prospect of achieving a bottom line profit next year, provided it gets the orders it expects together with an expected moratorium on interest payments on some of its loans.

The previous management reduced the workforce from 6,300 to 3,800. The present management has cut this to 2,700, mainly in head office support staff, and the business has been separated into 10 operating units.

Turnover has been kept steady at between £95m and £100m during the past four years, and Mr Wright says that 95 per cent of deliveries to the aerospace industry are now on time, a mark of the overall improvement in supply.

The management saw the Government's decision last week to guarantee £10m of loans through Forgemasters' bankers as a sign of greater government confidence in the company.

Some of the rest of the UK steel industry, which is now largely out of deficit, remains somewhat sceptical, and the company's own management is the first to concede that it still has mountains to climb.

Markets for most of its forgings and castings which range up to 300 tonnes are contracting. "We have to take a bigger share of an overall declining market," says Mr Wright.

The company still has a problem with quality control. "There is still room for improvement," Mr Wright concedes. He says that this is now being tackled.

The company also needs to raise productivity, including its use of energy which, with the steady reduction in labour costs through workforce cuts, has taken on much greater significance in overall direct costs of producing steel.

US company develops watch-pager

By David Thomas

THE WRISTWATCH-PAGER, a revolutionary communications idea being developed by AT&E, a Californian company, will capture almost half the paging markets in the US by 1992, its backers say.

The wristwatch-pager, which AT&E is developing with the help of Plessey, the UK electronics company, will allow messages to be transmitted via wristwatches. AT&E believes that the device, to be called a Receptor, contains two advances which will boost the already fast-growing worldwide demand for mobile communications.

It will be an international paging system. Through interconnection with the public telephone network, a managing director in London will be able to page his finance director as he sits in a bar in Tokyo.

The Receptor will also be cheap enough, probably about $150, to bring mobile communications into the domestic market for the first time, its backers hope. AT&E, which expects to spend about $30m on the idea by the end of 1988, is now pursuing the deals necessary to get the system running.

It has already signed an agreement with Seiko,

Cloud over Anglo Irish meeting

By Hugh Carnegy in Dublin

THE DETENTION of a British soldier in the Irish Republic at the weekend and differences over reforms of the emergency courts in Northern Ireland provide an unusually difficult background to the latest meeting of the Anglo-Irish Conference, expected to be held early this week in Belfast.

The soldier was involved in a follow-up operation after a mortar attack on an army post at Crossmaglen in Northern Ireland on Saturday. He was picked up by Irish police on a farm which straddles the border after a scuffle with the farmer just on the south side of the frontier. He was later released back to Northern Ireland.

There is great sensitivity in the republic about any incursions across the border by British forces. Such issues are particularly difficult for the present Government because of increased cross-border security co-operation since the signing of the Anglo-Irish agreement 13 months ago.

Despite this co-operation, the republic has never accepted that troops and police from Northern Ireland should be allowed to cross the border on "hot-pursuit" operations. Mr Paddy O'Toole, the Defence Minister, said that Saturday's incident was serious and required a response.

The issue may well be raised at the conference meeting which is to consider progress on security matters. The conference oversees the implementation of the accord.

The other main item on the agenda will be Northern Ireland's non-jury, one-judge "Diplock" courts which Dublin wants replaced with three-judge courts similar to the republic's anti-terrorist Special Criminal Court.

This proposal has met stiff resistance from the British judiciary and has been turned down by London. But Dr Garret FitzGerald, the Irish Prime Minister, and Mr Peter Barry, his Foreign Minister, have said they do not consider the issue closed.

Insider trade files may be re-opened

By Michael Cassell, Political Correspondent

THE GOVERNMENT is considering using its new powers of investigation to re-open around 40 cases of suspected insider dealing, Mr Michael Howard, the Minister for Corporate and Consumer Affairs, said last night.

A decision on whether or not to appoint inspectors to re-examine the cases, which have all been referred by the stock exchange to the Department of Trade and Industry (DTI) since 1980, is not thought to be imminent.

But ministers are satisfied that, under the investigative powers contained in the Financial Services Act, which were brought forward and put into effect three weeks ago, they can re-open previously unresolved cases of insider dealing in the City of London. The new powers give inspectors the powers to examine people under oath and demand presentation of relevant documents.

Criminal prosecution can follow and refusal to co-operate can lead to a ban from participating in the securities markets.

The Government has come under repeated attack from opposition MPs in the last few weeks, after post-Big Bang revelations of alleged illegal share dealings and claims that its new powers will prove incapable of tackling the problem.

Ministers are determined, however, to show their readiness to stamp out a practice which could harm the City's international reputation.

Since 1980, the stock exchange has reported 100 cases of suspected insider dealing to the DTI, but only eight have led to prosecutions.

Last week, Mr Geoffrey Collier, the former Morgan Grenfell securities director, was charged with offences connected with transactions in the shares of AE, the engineering group. The Government has also launched an investigation into possible secret and illegal share deals involving Guinness and its attempts last spring to take over Distillers.

In the latest case of suspected illicit share dealings, Exco, the UK's largest money broking group, last week called in the Fraud Squad to investigate dealing irregularities in a bond broking subsidiary.

Mr Howard, who was speaking on "The Business Programme" on Channel 4 TV, said that insider dealing was "a pernicious practice" which the Government intended to root out and prevent. Only a minority of people were involved, he claimed, but the Government now had unprecedented powers to intervene.

He emphasised that it was because the record on identifying and resolving cases of insider dealing had not been better that the new powers had been introduced by Mr Paul Channon, the Secretary for Trade and Industry.

Mr Howard, who will be attending a meeting later this week of regulatory officials representing the world's major financial centres, defended the Government's new regulatory provisions.

He repeated recent ministerial claims that the combination of self-regulation and tough statutory powers represented the most effective way of policing the City without hindering its free-market activities.

● Mr Norman Tebbit, the chairman of the Conservative Party, yesterday defended the Government's decision to try and prevent publication of a book on Britain's security services by Mr Peter Wright, a former MI5 (counter intelligence) officer.

He said the Government's intention was to reinforce the life-long duty of confidentiality to which all past and present members of the security service were bound. He claimed on breakfast television that Mr Wright had broken his contract, undermined the security service and "ratted on his friends" by attempting to publish his book.

Mr David Steel, the Liberal leader, also condemned Mr Wright's actions yesterday, describing as "reprehensible" his attempts to make money by breaching the Official Secrets Act.

But he said on BBC television's "This Week, Next Week" that the Government's decision to institute court proceedings in Australia had been a mistake. The book should have been vetted so that publication could go ahead, he claimed.

GOVERNMENT FACING SHORTFALL IN SALE OF ASSETS

Privatisation focus turns on airways

BY JANET BUSH, ECONOMICS STAFF

TRADING in British Gas shares begins today, and the focus of the Government's privatisation programme shifts to the sale of British Airways (BA) early in the new year.

This is the last major offer of shares scheduled for the current fiscal year and appears to leave the Government short of its £4.75bn target for asset sales proceeds.

The privatisation of BA will, like British Gas, be partly paid. City of London estimates put its value between £800m and £1bn. It is believed that there will be two roughly equal instalments, probably split between this fiscal year and next. This suggests receipts from BA this year of up to around £500m.

This would be added to around £1.1bn from the last call on British Telecom (BT) earlier this year, a further £250m from the redemption of BT preference shares and about £2bn from British Gas.

This year has also seen the privatisation of six subsidiaries of the National Bus company. The Government has not published any figures on these, but they are not believed to be substantial.

Taking into account that totals are rounded estimates, it appears that the Treasury could be perhaps £800m short of its target after the sale of BA.

The Government faces a number of options. One obvious candidate to plug the gap is the first £750m tranche of British Gas loans which can be called in either this year or next.

Mr Nigel Lawson, Chancellor of the Exchequer, said in his autumn statement that he was confident that the £4.75bn target this year would be reached. If this is so, he could be counting on the gas loans.

Preparations are well under way for the sales of Rolls-Royce and the British Airports Authority, but these are not scheduled. The Government hopes to complete both sales before the summer holiday season gets under way.

There would be little time to slot in either of these sales this fiscal year. As it is, BA must be fitted in before the Government goes into the period of pre-budget purdah.

Another possibility is that the Government may decide to sell off more of its shares in British Petroleum. However, several City economists believe that the Government could decide to fall short on its privatisation target, leaving the gas loans and other potential share offers until next year.

This is desirable for a number of reasons. Firstly, the Government will want to maximise tax cuts in what seems likely to be an election year.

Second, the Government could face serious pressures for extra public spending from the various departments next year and is mindful of the low level of its contingency reserve.

Third, a small undershoot of this year's Public Sector Borrowing Requirement could be on the way given the buoyancy of non-oil tax revenues and, in this case, an undershoot on asset sales could be presented as sensible economic management.

British Gas puts dealing systems to test

BY RICHARD TOMKINS

STOCK EXCHANGE dealing systems are in danger of coming under heavy pressure when trading in British Gas, the UK's biggest-ever share issue, begins at 2.30 this afternoon.

N. M. Rothschild, the merchant bank sponsoring the flotation, says its market research indicates that the majority of applicants plan to become long-term holders of shares in British Gas. So it is not expecting a wave of early sellers.

However, the stock exchange's new dealings systems have already suffered a number of breakdowns in the weeks since Big Bang, and there are fears that turnover in only a small proportion of British Gas's £5.6bn worth of stock could cause another failure.

Applicants may be encouraged to become sellers by a slight brightening of the prospects for the premium over the last few days. Overseas and institutional investors are regarded as more likely to emerge as buyers than sellers at Friday night's "grey" (unofficial) market price of 58½p for the 50p partly paid shares. So first-day dealings could be at around 60p, representing a 20 per cent premium over the flotation price.

Rothschild announced full details of the allocation of shares over the weekend and confirmed that 4.5m applications had been received, including those from British Gas employees and pensioners.

The number of customer applications outnumbered those from the public by 2.8m to 1.7m, but the total value of the public applications at the fully paid price was higher at £4.4bn compared with £4bn for the customer applications.

Although customers will receive the preferential treatment they were promised, it does not amount to much.

All applicants receive the full allocation up to 400 shares, and beyond that customers receive only 100 more shares than public applicants at the bottom end of the scale and 300 more at the top.

Details of allocations to customers and the wider public are set out in the table. Employees and pensioners will receive a full allocation for up to 5,000 shares, then 5,500 on applications for 6,000 to 10,000 shares, and 5,700 on applications for 15,000 to 18,519. Employees only will receive 6,200 shares on applications for 20,000. For applications over these figures, the excess will be allocated as if it were a public application.

The total value of shares applied for at the fully paid price was £8.4bn. So the UK public offering was four times subscribed before the institutional and overseas allocations were cut back. Before clawback, the entire issue was subscribed 2.1 times, and after clawback, 1.9 times.

About 60 per cent of applicants opted for bonus shares at the end of three years rather than the gas bill vouchers which begin to flow after six months. This confirms Rothschild's view that a majority of applicants sees British Gas as a long-term investment.

Letters of allotment will not be posted until next Monday, and inexperienced investors may have difficulty if they try to sell shares in the meantime without proof of ownership.

National Westminster Bank, the receiving bank to the issue, paid in cheques from applicants towards the end of last week. So investors can ensure that their application has gone through by inquiring whether their cheque has been cleared.

The ordeal that never was

BY RICHARD TOMKINS

BANKERS are not renowned for indulging in extravagant displays of emotion – at least not in public, anyway.

The staff of National Westminster Bank's new issues department are no different from the rest, and yet underneath their stoic exteriors must lurk an acute sense of disappointment over the low-key response to the British Gas flotation.

As lead receiving bank to the issue, NatWest had set up systems of unprecedented sophistication and recruited hundreds of extra staff to handle what had been billed as the biggest stock market flotation the Western world had ever seen.

At Caxton House in Redcliffe Way, Bristol, some 900 staff – many of them temporaries – had expected to spend the weekend processing personalised application forms in readiness for the dispatch of allotment letters. Instead, the building stood silent and empty, and most of the temporaries will probably be back at their agencies looking for other jobs by the middle of this week.

The £5.6bn offer for sale will still go down in the record books for the amount of money raised and the number of allotments made, but the total of 4.5m applicants is well short of the number expected and has left NatWest unable to prove itself in the face of what had once appeared likely to be overwhelming odds.

This is not to belittle the scale of NatWest's task. If the number of applications received seems a disappointing figure now, it would not have done a year ago when the planning for the British Gas flotation began.

At that stage, the biggest flotation to date had been the £3.9bn British Telecom (BT) issue in November 1984, which attracted 2.3m applicants. The Government's advisers calculated that the favourable precedent set by BT and the larger size of the British Gas issue meant that they should expect from 3m to 5m applicants.

ALLOTMENTS OF BRITISH GAS SHARES

Application	Allocation: Public	Allocation: Customer
100 to 400	In full	In full
500 to 700	400	500
800 to 1,000	500	600
1,500	600	800
2,000	800	1,000
2,500	1,000	1,200
3,000 to 5,000	1,200	1,400
6,000 to 10,000	1,400	1,600
15,000 to 100,000	10%	10% + 300 shares
Over 150,000	7%	7% + 300 shares

They then ran into a major snag. Usually only one receiving bank handles a new issue, but the BT flotation was so big that all six – the Big Four clearing (retail) banks together with the Bank of Scotland and the Royal Bank of Scotland – worked together. Even then they ran into difficulties, and they told the Government's advisers that it was beyond their combined capacity to deal with an absolute maximum of 3m applications on any future issue.

The problem lay not so much with the receiving and sorting of applications, but with the laborious task of writing out letters of allotment and refund cheques to each individual applicant after the allocation had been decided. Big investors in particular were not prepared to accept any extension to the period during which other people were sitting on their money.

It was NatWest's idea to speed up the exercise for British Gas by moving the whole exercise into the 20th century with the aid of computer technology.

The plan was to get as many would-be applicants as possible to register in advance of the issue, computerise their names and addresses, and send them personalised application forms when the offer began. When the forms came back, they would be logged on to the computer, and when it came to the allocation, someone could push a button and the computer would spew out all the letters of allotment.

The TSB issue, worth £1.5bn, was far smaller than BT's and had never been expected to attract more than 2m to 3m applicants at the most. So there had never been any fears about the receiving banks' ability to cope. The TSB's advisers, however, had underestimated the British public's eye for a bargain. Eventually 5m applications came in, vastly overloading the receiving banks' capacity. Consequently, 2m applicants had to be balloted out, so creating a good deal of acrimony.

The TSB issue moved the goalposts for British Gas. True, British Gas was clearly not going to be seen as a money-spinner in the way that TSB was, but it was nearly four times as big and was going to be much more heavily promoted. The Government's advisers, therefore, told NatWest that it would have to upgrade its systems to cope with a possible 8m applicants.

In the event, of course – and for reasons which will become clearer during the post mortem – the NatWest's system was not tested to anything like its limit. Alas, it probably never will be. Other planned privatisations are on nowhere near the same scale, and even if other utilities are sold off without being broken up, they are unlikely to prove as attractive as British Gas.

Baker signals plan for school reforms

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

THE NEXT Conservative government would introduce a radical Education Bill representing the biggest package of school reforms for nearly 50 years, Mr Kenneth Baker, the Education Secretary, said yesterday.

Mr Baker said that he wanted to see more central control of the school curriculum, an objective which would be enshrined in a major Education Bill which would be put forward by the Conservatives.

He said on London Weekend Television's "Weekend World" that he wanted to see a national curriculum laid down by law with an explicit set of objectives across a wide range of subjects.

As an example, Mr Baker said that he would like to see benchmarks established, setting out the standard of reading which children should be in a position to attain at various stages in their schooling.

Mr Baker also signalled a move towards greater differentiation in the school curriculum, saying that it should match more closely childrens' aptitudes. From the age of 11 or 12, children from the bottom end of the aptitude scale would be put on more vocational or job-related courses, offering them the opportunity to put their talents to the best use during their working life.

Mr Baker accepted that his proposals could mean big changes in the relationship between the Government, education authorities and schools.

The pattern of education set by his proposed city technology colleges, with the Department of Education and Science controlling the curriculum and the governors holding the purse strings, was one he wanted to see repeated in all schools over the next 15 to 20 years.

Teachers fight to keep pay talks machinery

BY DAVID BRINDLE

THE NATIONAL Union of Teachers (NUT) has taken full-page advertisements in some of today's national newspapers to launch a campaign against the Government's legislation abolishing pay negotiating machinery for 400,000 teachers in England and Wales.

The campaign will include a lobby of Parliament on Wednesday when the legislation – the Teachers' Pay and Conditions Bill – is scheduled to be rushed through its remaining House of Commons stages after a second reading today.

The NUT is urging its members to tell MPs that the Government's plans for an interim advisory committee on teachers' pay are unnecessary because there is agreement between the education authority employers and the unions on revised national bargaining machinery.

However, this machinery is set out in the deal signed by four of the six unions and now likely to be ratified by only two of them – the Professional Association of Teachers having on Saturday followed the Secondary Heads Association in deciding not to confirm earlier acceptance.

Today's NUT advertisements urge teachers and parents of school children to oppose what is described as the bill's "extradordinary and alarming attack on a fundamental right" to negotiate pay and conditions.

The measure is guaranteed to inflame the long running pay dispute, the union says.

Mr Fred Jarvis, NUT general secretary, said yesterday: "The powers in the bill are draconian, and the speed at which the Government is attempting to seize them defies belief."

The bill, which would give the Government power to impose a settlement of the pay dispute, could become law by the end of January.

The unions, who are united in opposition to it, hope that SDP-Liberal Alliance and cross-bench peers will block the measure in the House of Lords.

UK NEWS

Call for revision of Japanese car quotas

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

CHANGES should be made to the way the Japanese divide up the quota of cars for export to the UK, says Mr Alan Marsh, managing director of Toyota (GB), the Inchcape Group subsidiary.

The unofficial quota system, which limits the Japanese share of the UK new car market to about 11 per cent, has been in force since 1975, and the percentage allocated to the major importers has changed very little since then.

Mr Marsh claims that, unlike his company which imports Toyota vehicles, some other Japanese car import companies have difficulty selling all the cars they are allocated. "Things have changed since 1975, and the time has come for a redistribution within the 11 per cent quota," he suggests.

Mr Marsh admits that Toyota (GB) has a vested interest in pressing for changes by the Japanese Ministry of International Trade and Industry (MITI) which controls the quota system.

His company needs to strengthen its dealer network to prepare for the time when Toyota moves some car assembly to the European Community. "I have no idea when Toyota will move into Europe, but it is inconceivable that a company of its size and ambitions will not eventually set up car production here," Mr Marsh said.

Toyota is the third-largest vehicle producer in the world after General Motors and Ford of the US. Its target is a world car market share of 10 per cent compared with the current 8 per cent – its so-called "Global Ten" strategy.

Mr Marsh says that, with the help of European-produced cars, Toyota's UK market share could rise from under 2 per cent to 5 per cent and unit sales from 35,000 to 100,000. For this, the dealer network would have to be increased from 224 to about 400.

Toyota (GB) already is preparing the ground and talking to six large public companies which should soon take the Toyota franchise. At present the majority of Toyota's dealerships are family-owned.

Mr Marsh says Toyota (GB) profits this year will be above those for 1985 in spite of the sharp rise in the value of the yen compared with the pound. In 1985 the company made a taxable profit of £11.65m on a turnover of £210m, up from £9.56m on sales of £182m the previous year. The dividend payment for 1985 was lifted from £3.2m to £4.1m.

The UK importer will not suffer to any great extent from the severe cut-back in car shipments to the EEC made by all the Japanese car producers in the last three months of 1986, says Mr Marsh.

Complaints from member countries about the substantial increase in exports to the Community in the first half of 1986 caused Miti to urge the car producers to ensure that exports showed no more than a 10 per cent increase for 1986 as a whole.

John Griffiths writes: Leyland Trucks, now the subject of rival collaboration or buy-out approaches from DAF and Paccar, recaptured the UK heavy truck market leadership last month from Daimler-Benz, the West German producer of Mercedes trucks.

TELEVISION PROMOTION IN LIST OF LAW SOCIETY REFORM PROPOSALS

Lawyers set to rewrite advertising code

BY A.H. HERMANN, LEGAL CORRESPONDENT

THE LAW Society appears to be set to adopt radical changes of rules governing advertising by solicitors and their arrangements for the introduction of clients, for example with estate agents, banks and building societies.

A proposal to be considered by the council of the society next week would, if approved, allow more flexible promotion of legal partnerships from January next year.

The proposals adopt a completely new approach to advertising, in contrast with the current "advertising guidance" which tells solicitors in specific terms what they may, or may not do. All types of advertising and promotion would be permissible as long as solicitors' integrity or clients' freedom of choice were not impaired. This should be achieved by the observance of five principles expressed in terms so general that every solicitor should be able to keep within them as long as he behaved honestly, competently and in the best interest of the client.

The new rules would open to solicitors the possibility of using television advertising, direct mailing, advertising on third-party premises and on movable displays, for example, in estate agents' windows. They would also be able to benefit from advertising by third parties but would not be allowed to make unsolicited visits or calls or name clients in their advertisements.

A second important avenue for attracting clients would be opened to solicitors by a new rule allowing them to make arrangements with other businesses or professional practices. This would enable solicitors to benefit from inclusion in "packaged" services or arrangements made for clients of a certain category or sharing in one and the same problem or dispute.

The rule would enable solicitors to agree with estate agents, banks, building societies, travel agents or employers to be introduced to a certain category of clients as long as the clients knew about such an arrangement. The arrangement would not interfere with the client's freedom to instruct another solicitor, or with the soliciter's independence and ability to advise his clients regardless of the interests of other persons.

Solicitors making such arrangements will not be allowed to give any direct or indirect benefit for the introductions, except the inducement of business. The co-operating offices would be able to quote a composite fee on condition that they quoted separate fees for individual services if required.

British Steel to buy West German group

BY NICK GARNETT

THE BRITISH Steel Corporation (BSC) is expanding outlets for its products in Europe with the acquisition of Fischer Profil, a West German sheet steel profiling business.

Fischer Profil, which produces wall and roof panels, has factories at Netphen-Deuz in West Germany and at Ghent, Belgium.

BSC said earlier this year that it was trying to strengthen its distribution operations and outlets in Europe. It recently bought a French steel stockholding company and already owns a profiling subsidiary in France – Profilacier Sarl.

BSC said that the Fischer purchase which is still subject to final approval from the two companies, will complement Profilacier Sarl and "establish BSC as a force in the European profiling market."

Profiling involves passing sheet through specially shaped rollers for various forms of ribbed finish.

BSC declined to disclose the purchase price for Fischer, which employs about 90 and, the corporation says, is one of the group of larger European profiling operations.

Tokyo air talks fail to agree flights deal

By Michael Donne, Aerospace Correspondent

BRITAIN and Japan have failed to agree on the increased number of flights between London and Tokyo that the UK has been seeking to allow British Caledonian Airways (BCal) to launch services on the route next spring.

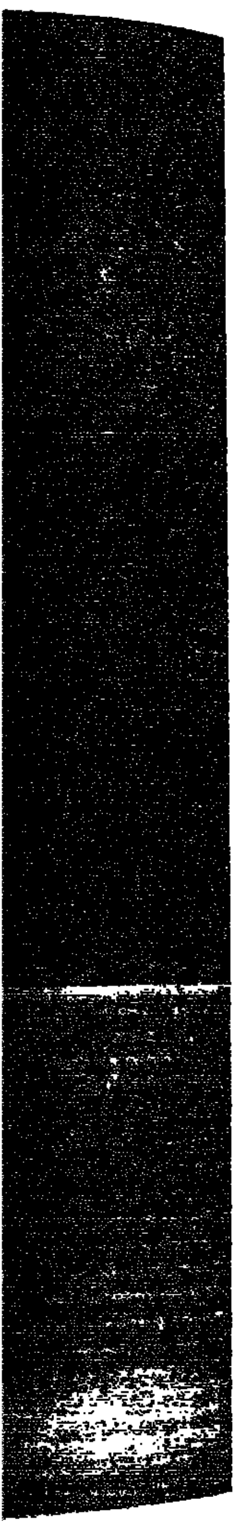
The two negotiating teams agreed, after five days of talks in Tokyo, to meet again in London next month.

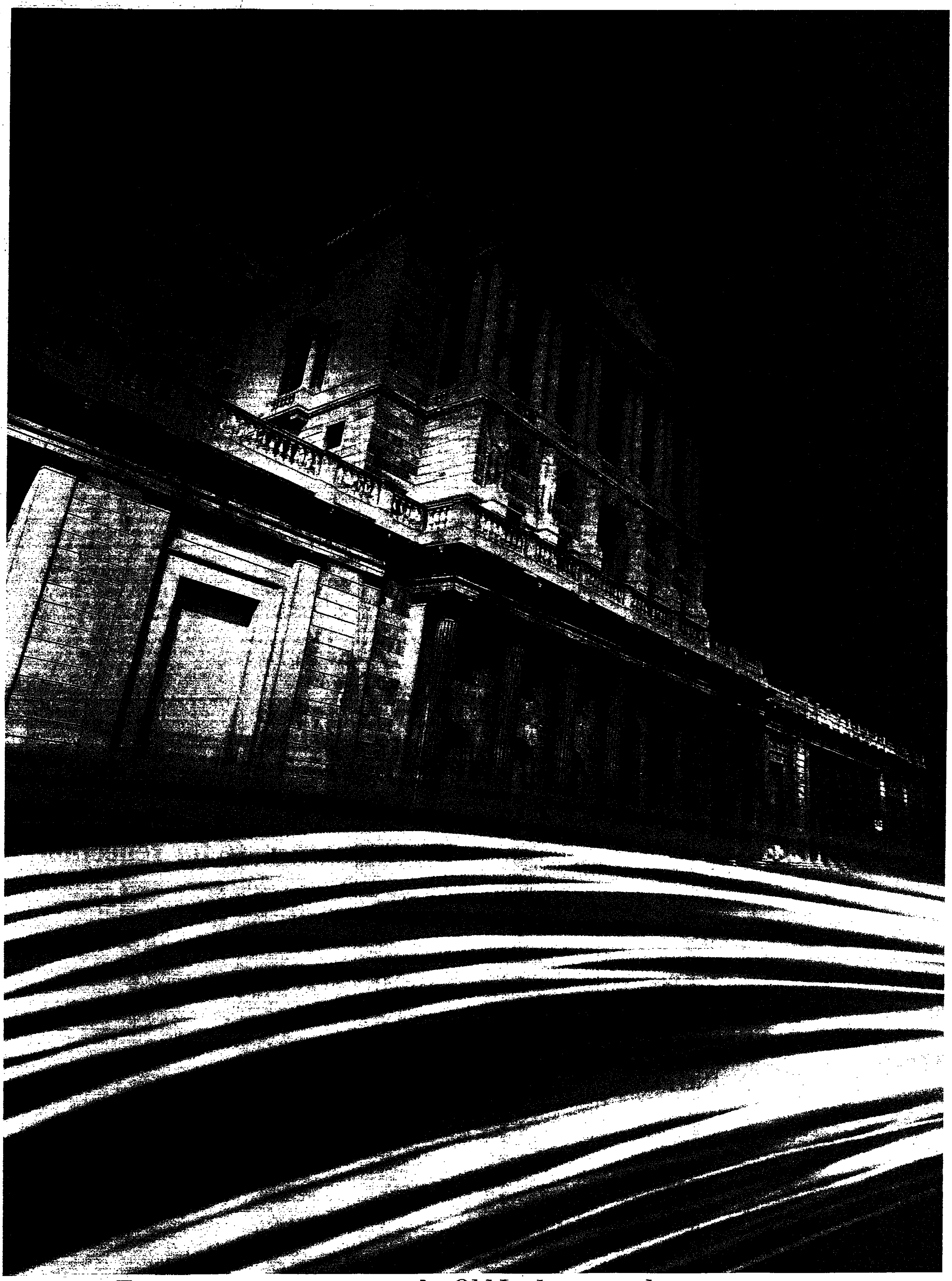
They declined to give further details of the Tokyo discussions or to name the Japanese airline that would also be given rights on the route to match the introduction of BCal although Tokyo press speculation is that it will be All Nippon Airways. The two airlines at present operating the route are British Airways and Japan Air Lines.

The UK is reported to have asked for three return flights weekly for BCal from next March, with flights non-stop across Siberia.

Tokyo ai talks fail to agree flights de

By Michael Donne, Aerospace Correspond





THE MONDAY PAGE

INTERVIEW

Kaiser Franz

In search of excellence; Andrew Fisher talks to Franz Beckenbauer, manager of West Germany's soccer team

FOOTBALL was different in the days when Franz Beckenbauer played, dazzling spectators in the 1960s and 1970s with his elegant footwork, long accurate passes, and goal-scoring forays.

Maybe it only seems that way. Yet Beckenbauer, the "Kaiser," now manages a West German team in which strength and speed predominate and flair comes in some way behind. Players in today's frenetic game are hemmed in by tightly-knit defensive tactics and the artist has less scope.

"It probably looked nicer before, but that's because you had more time and space," says 41-year-old Beckenbauer, snappily dressed in a mauve and white striped button-down shirt, purple Paisley tie, dark checked jacket and grey trousers. "It's harder to play now. Maybe that's why the stars don't come through."

Certainly, the young German team lacks big stars. Thus efficiency and persistence, two obvious but unexciting German virtues, come to the fore. He mentions two more that can offset a lack of individual brilliance — "order and discipline are what Germans need." For even without a star-laden team like the one which won the World Cup in his day, Germany reached the 1986 World Cup final in Mexico. The team lost to an Argentina led by the extraordinary Diego Maradona, but played creditably and scored two goals. In earlier rounds, it had been written off as a team of plodding no-hopers.

"Only the greatest optimists expected Germany to get in the final," he says, looking hardly less sharp and fit than in his playing days, when he turned out nearly 400 times for FC Bayern, based in his Bavarian home town of Munich.

So was it perhaps the dogged German character that propelled the team through to second place? "Yes. The readiness for action, the ability to stay the course, the industriousness, these are all qualities that made Germany great in her history, not just sports people but the whole people." Germans, he comments, "were always a hard-working folk. So are their footballers."

It could almost be a businessman or a military strategist talking. Certainly, the amiable and voluble Beckenbauer, son of a postal official and once, briefly, a junior clerk in the *Allianz insurance group*, has gone far beyond the playing field in his sports and public career.

A member of FC Bayern in its most glittering days and a star when Cosmos New York all too fleetingly gave football a leading spot in the US sports arena, Beckenbauer has been manager (teamchef) of the German national team for two years.

Although noted for his cool authority in his playing days, as manager he has not always kept his temper, as a few weeks ago when an Italian referee awarded two penalties against Germany in a friendly against Austria. Germany found itself defeated by a humiliating 4-1 margin and Lothar Matthaus, one player with some claim to be considered a star, was sent off after arguing with the referee.

Beckenbauer lost the Kaiser-like calm he usually exhibits from the sidelines, fuming on TV against the referee, calling him all manner of insulting names, and insisting Germany would not have him in charge of one of their games again.

Later, Beckenbauer was in a more philosophical mood. "But the sense of injustice remains." As for the defeat, "we've got to live with it to the end of March. Four-one against Austria is a loss we have to digest," he adds in his lilting Bavarian accent. The next match, in four months' time, is a friendly against Israel. While this will be Germany's first full international against the country, no special political significance is attached to it. German youth and club teams have played in Israel, whose nationals have also turned out in the German league.

Still, Beckenbauer is enjoying his spell as manager, a post always previously given to someone who, in typical German fashion, has passed the right exams: physical training, medicine, and psychology. Beckenbauer has not, but the German Football Association (DFB) seemed to think his record 103 matches for his country made him the right candidate so long as he has a fully qualified trainer at his side.

Musing on the debacle in Austria, he says: "There are always going to be things like that, there'll be defeats, you feel cross or you feel happy—that's football, after all."

His playing days in Germany and the US and his lucrative advertising contracts — like other top sports personalities, he is part of the Adidas marketing thrust — have made Beckenbauer a very rich man. He now lives in the Austrian resort of Kitzbuehel, travelling widely to watch club and international games. "Either you do something properly or you don't do it at all."

The German national team is at the pinnacle of the DFB, the largest sports association in the world with 18 first league clubs and some 20,000 others dotted around the country. This vast structure has a financial solidity that prevents clubs going bankrupt—TV and match screening fees, stadium advertising and sponsorship are the main sources of clubs' revenues, with gate takings also contributing. The very orderliness of the DFB means that the huge sums offered by top Spanish and Italian clubs are not available in Germany.

It also means that unlike Britain, rich businessmen cannot buy directly into clubs. Even so, a top player in Germany can do very well, drawing a team salary of up to DM 500,000 (£175,000), which he can double through advertising and promotion. In Italy, though, he could get at least three times that and taxes are lower. For the moment, Italy has put a block on more foreign players, but next year when the barrier is lifted, a handful of German players could well be tempted south.

There are fears that the loss of top players could well make the game less attractive in Germany at club level. Thus Beckenbauer would like to see German companies putting more money into the game. "Here in Germany, managers play tennis or golf and football isn't really their favourite child."

Bayer, the big chemical concern, sponsors two teams, Bayer Leverkusen and Bayer Uerdingen. Unlike other sponsored teams, they are named after the company, because they grew out of works team formed in the early 1900s.

But Beckenbauer feels that industry could do more. "It's really hard to convince companies of football's popularity," he laments. FC Bayern, whose sponsor is the Commodore computer company, would have to turn to industry to execute the bold plan with which it is flirting at the moment—a bid for Maradona next year. Now playing in Italy, he would command a sum that could not be raised without some help from industry.

Beckenbauer himself was tempted to go to Milan in the 1960s. "But Italy closed the border when its team lost to North Korea in 1966 and went out of the world championship." Talks in Spain with Barcelona also fell through.

Looking back, Beckenbauer believes his career in Germany with FC Bayern, and his final few years with Cosmos and Hamburg were the best he could have had. He certainly enjoyed his time in the US, playing with the likes of Pele—he is a great fan of the free-flowing, individualistic Brazilian style—and being feted across the country.

It contrasted somewhat with the up-and-down treatment he had been receiving in the German media before leaving for Cosmos in 1977, under a cloud caused by a split with his wife and by tax disputes.

"In America, the superstar will always remain a superstar. He can do what he likes, even kill someone maybe, or just behave stupidly, but the hero will always stay a hero." In Germany, he notes caustically, "the mentality is different, especially with the media and the journalists—they try to scratch away. There's a much more critical reaction to a superstar than in Amreica."

Some of Beckenbauer's British opposite numbers might well sympathise with him. Boris Becker, the tennis star, has also felt more than a whiff of disapproval when his game has been under par. "The schadenfreude and the malice come out," says Beckenbauer.

It could be, he agrees, a reflection of the way sports are regarded in differing countries. Drawing on his experiences in the rarefied footballing atmosphere of star-studded Cosmos, he points out that Americans are simply less fanatical about the games they watch.

"In America, it's sport, an occasion to go to, a family outing. Whether baseball, or football, it's something to look at." Of course, he adds, they're enthusiastic, but they're not fanatical, "and that's the difference."

This sense of balance meets with Beckenbauer's warm approval, but he is sad that football has not taken hold on the sports scene, despite its popularity among youngsters. "Perhaps something will come along, but the system is different. Sport goes through the schools, colleges and universities, whereas we have a proper club system and a longer season."

Even in Germany, though, fewer people have been going to matches. Average attendance at first league matches was *around 25,000 in the late 1970s*, but has since drifted to below 20,000. TV has had an impact, as has lack of comfort in stadiums and the declining quality of the national team. But clubs are starting to take more notice of the fan. And the national team's better-than-expected performance in Mexico has also caused attendance to start creeping up again this season.

One aspect of the game that in Germany has by no means reached the frightening dimensions attained in Britain is hooliganism. Beckenbauer thinks the British should have got tough long ago. In Germany, hooliganism exists, but it has been kept in check by stiff security measures and close co-*operation between clubs and* police. The DFB reckons that hooliganism is at least under control.

Beckenbauer remembers vividly what happened when FC Bayern played Leeds in Paris 11 years ago. "Leeds fans destroyed half the inner city, smashing cars, breaking windows, attacking people. There were no deaths, but there was a big outcry. Eight days later, though, it was forgotten. Yet like a red scrawl across the game, English fans always left their traces."

Whatever the off-field antics of fans, the pressures on the pitch are intense. Beckenbauer, whose midfield style combined inspiration, energy and toughness, played over 100 games in 1974, when FC Bayern swept all before them and Germany won the World Cup. "It's a continuous stress you've got to survive."

Of today's European teams, he currently admires Spain the most. That, he reckons, will be the team to beat in the European Championship to be played in Germany in 1988. Beckenbauer has just agreed to continue as manager until the 1990 World Cup.

He took up the job after Germany had done so badly in the last European Championship in France. Can it do better this time? "Playing in Germany, we've got to be the favourite. We want to win the championship. That's our goal." It is a typically strong and direct statement from the man of whom Karl-Heinz Rummenigge, himself chosen 95 times for his country in his international playing days, said: "Franz Beckenbauer made football socially acceptable. Before, people thought footballers had no brains."

● PERSONAL FILE

1945 Born Munich, son of a postal official
1965 First of 103 international appearances (against Sweden)
1966 In German team that lost to England in World Cup final
1974 Captain of German team that won World Cup against the Netherlands
1977 Last international against France
1977 Left FC Bayern after 396 games, for Cosmos, New York
1980 Joined Hamburg (HSV)
1982 Last game with HSV, though played briefly for Cosmos again
1984 Manager of German team
1986 His team loses in World Cup final to Argentina

A tale of arbs and the man

BARRY RILEY

THIS IS what Ivan Boesky told me about risk arbitrage when I met him last March: "It's important that the truth be known." But I'm not sure that he meant it.

Boesky's eventual confession to insider trading last month can have come as no overwhelming surprise to the financial community; hostility to the growing activities of the "arbs" in the American markets had been building up for many months. But Boesky, in particular, had cultivated publicity in an attempt to counter natural suspicions about the role of the arbitrageurs.

When I met him, he was accompanied by no less than three public relations men. He was promoting his book, Merger Mania, which despite the racy title turned out to be a stodgy tome describing techniques such as the calculation of workout values and the analysis of risk. There was also the Hirschmann-Herfindahl Index, used to estimate the risk that the Justice Department would challenge a merger: it was calculated as the sum of the squares of the percentage market shares of competitive companies and a rise of 100 was, apparently, a warning signal.

But whatever the claimed technicalities of arbitrage — and Boesky ran an annual 13-lecture course at the New York University Business School — more general investment theory argued against the ability of arbitrageurs to carry on making exceptional returns in efficient markets simply on the basis of such techniques.

It is always possible for clever operators to find little corners and distortions in the markets which can be exploited successfully — like new issue stags, for example. But these are limited opportunities which can only reward limited amounts of capital.

Arbitrage is therefore plausible as a cottage industry but not as a major element of the markets. Although Ivan Boesky had started out in a small way, by last spring he was aiming for the really big time, reorganising his operations as a limited partnership called Ivan F. Boesky & Co. This pulled in something over $800m.

The advantage of a partnership is that it can be secret, allowing Boesky to overcome some of the reluctance of investors to be publicly associated *with his operation.* However, since the scandal broke, information about the partnership has leaked out.

Among the British institutional investors who turn out to have participated in Boesky's arbitrage operations are the Water Authorities' Superannuation Fund, the Imperial Group Pension Trust, and Commercial Union Assurance. "The institutionalisation of our business is the most notable aspect of the reorganisation," Ivan Boesky told me.

Such a large pool of money as Boesky's—which could be leveraged further through borrowing—could scarcely be sufficiently rewarded by means of marginal speculative transactions. The only sure-fire way to earn high returns in an efficient market is through access to privileged information.

However, as Ivan Boesky told me in March, at roughly the same time as his advisers like Drexel Burnham Lambert and Schroders were recruiting the investors: "Rumours and leaks are things that professional arbitrageurs don't have time to pay attention to. That's not the quality of knowledge that is very useful."

There is, of course, nothing new about market operators seeking to justify their activities in terms of promoting takeovers, jolting sleepy managements into action and initiating the reshaping of the economy. The UK's Jim Slater was a brilliant self-publicist in the *1960s and early 1970s*, and was much better at trading in the stock market than he ever proved to be at running companies. One of his publicity coups was to write a feature in the FT advocating tougher regulation.

It is an unfortunate fact of life that clever trading in the financial markets brings quicker and bigger rewards than operations in the real economy, where building companies and creating products involves a lot of hard work over extended periods.

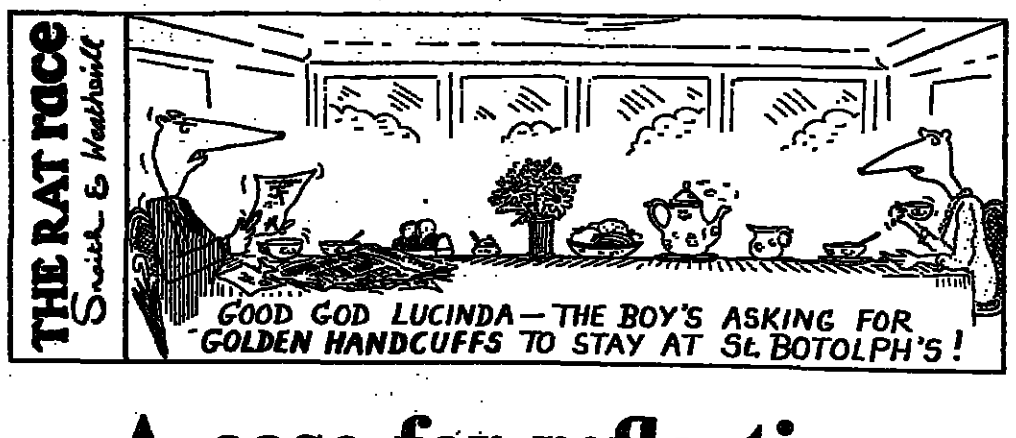
It is apparent that a high level of takeover activity is inversely correlated with a country's degree of success in its real economy. Consider, for example, the nationality of the foreign bidders who arrive on British shores.

Britain is used to the presence of Americans, though they are not as active as they were at one time. Nowadays there are almost as many Australians involved in UK takeovers, and the Australian economy is not *one which it could* be easily argued has much to teach. We even have a New Zealander called Ron Brierley buying up stakes in British companies. Again New Zealand is not an obvious place to go to find management expertise.

In contrast, the Germans and the Japanese are notable for their absence from the takeover arena (though the Japanese, significantly, are becoming keen buyers of factories and sites).

In a mature economy, of course, it is only right and proper that companies should be rationalised and managements changed. But there are cheaper — if more difficult — ways to do this than through aggressive take-overs which siphon off most of the gains from the restructuring into the hands of intermediaries. Ivan Boesky may yet do the American and British economies a favour by reminding investors of the kind of operator who benefits from short-termism.

His own view of the subject: "There are certain sacred cows that have no validity. I don't *think the short term is a bad* thing. I don't think the long term is necessarily a good thing. Enlightened managements should have an eye on short, medium and long-term objectives, and realise that the average life of a stockholder is something like three score and 10, and he wants to see a bit of results along the way."



A case for reflection

JUSTINIAN

THE PAUSE in the daily unfolding of the Attorney-General's action in the courts of New South Wales to prevent publication of the memoirs of a former member of MI5 is a moment for sober reflection on a case of endless fascination. If the result of the *litigation is far from being* predictable, the twists and turns of the Australian legal process provide material for acute debate.

To the English lawyer, the sight of Mr Malcolm Turnbull cross-examining the head of *the British Civil Service to telling* effect — in the course of which was uttered the memor*able* phrase that the witness was being "economical with the truth" — has been evocative not only of Sir Robert Armstrong's exculpatory performance on the Westland affair, but also his involvement in the GCHQ case. Two years ago, Sir Robert rescued the Prime Minister (in her role as minister for the Civil Service) when she failed to consult with the Civil Service unions before banning trade union membership at GCHQ, Cheltenham.

Sir Robert had used an ambiguous phrase in an affidavit to the effect that the Government feared that to reveals its plan to ban the trade unions in advance of the event would be to provoke the very disruption by industrial action that it was seeking to prevent. That interpretation was only put upon the words of Sir Robert after the Government had lost the first round before Mr Justice Glidewell. When the case went to the House of Lords, the Government's interpretation of Sir Robert's words was unquestioningly accepted. Would their Lordships today be so ready to give a favourable meaning to his words. An opportunity to look a little closer at Sir Robert's phrasing will come when on January 20 the European Commission of Human Rights hears the Council of Civil Service Union's application for the admissibility of its claim that the Government is in violation of the guaranteed freedom of association.

The role of the Attorney-General in the unhappy saga of the litigation in the Sydney *courtroom arouses speculation* and constitutional comment. We now have it on the highest authority that Sir Michael Havers was not a party to the decision in 1981 not to seek any injunction against the publishers of Mr Chapman Pincher's book, Their Trade is Treachery. Indeed, we are reliably informed that the decision was made deliberately without his knowledge.

The Attorney-General is the Government's chief legal adviser; yet he is not a member of the Cabinet. The British practice, at least since 1928 — it might even be said to be a constitutional convention — is to exclude the Attorney-General from the ranks of ministers given Cabinet rank and thus entitled to a seat *and a vote in* meetings of the Government's chief policy-making body. The Attorney-General, according to the constitutional orthodoxy, "ought to be aloof from his colleagues in the Ministry to a quite formidable extent. Even in ordinary matters of law affecting the Government he should attend upon Cabinet if and when requested, give his legal opinion, and leave immediately." The fact that the Attorney-General's base of operations is located within the Royal Courts of Justice in the Strand serves to underline his dissociation from the mainstream of Whitehall government. This detachment is supposed to guarantee his *independence in deciding matters relating to the prosecution* of offenders.

But legal advice for government today is the very stuff of much sound political action. It is hard to believe that any governmental action is devoid of any legal content. Thus Government should have at its elbow the advice and participation of its chief legal adviser. The leading exponent of the modern view was Mr Sam (now Lord) Silkin, who was Attorney-General from 1974-1979.

Mr Silkin wrote in 1978 in The Parliamentarian words that will reverberate around governmental circles for a long time after the case in Australia has been decided and forgotten. He wrote: "My own philosophy is wholly different from that of my predecessor (Lord Rawlinson). I regard it as my prime duty to keep my colleagues out of the court rather than to represent them in the courts. I regard it as the Law Officer's duty to learn as much as he can of his colleague's policies, their intentions, their wishes, their methods, indeed their very temperaments and characters." He went on to regret that the Attorney-General does not, unless invited, sit at the Cabinet table. "I regret it because I am convinced that the more intimately the government's principal legal adviser is aware of the battles and the arguments and the stresses and the strains that eventually result in policy, the better able he is to assist in ensuring that if there is a lawful and a proper way of achieving its objectives, that way will be found."

Had that philosophy pertained in the Thatcher administration, and Sir Michael had been present throughout policy-making decisions, the course of the Government's pursuance of the memoirs of MI5 staff and books on the security services would have been very different. It is the practice of keeping the Government's chief legal adviser at arms length, on tap, but never anywhere near the top of policymaking that has led to Sir Michael Havers' embarrassment in a Sydney courtroom.

Diversification

The trouble with takeovers

Christopher Lorenz examines a study of success and failure in mergers and acquisitions

WITH TAKEOVER mania gripping Europe and the United States as never before, one of America's most influential business school professors has issued a blunt warning: that very many acquisitions fail because their rationale is flimsy and their execution inadequate. They later have to be divested—seldom at a profit to anyone except lawyers, merchant bankers and the original sellers.

The alarm call comes from Michael Porter, whose pioneering work on competitive strategy at the Harvard Business School has made him a best-selling author and one of the most sought-after consultants to leading American companies.

Porter's warning is all the more weighty for the fact that it applies less to the current spate of raids by "greenmailers" and arbitrageurs than to the equally heavy flow of supposedly "respectable" takeovers based on the conventional rationale of either industrial "synergy" or portfolio management.

Porter's conclusion that "the corporate strategy of many diversified companies has failed—much diversification just doesn't work," is drawn from a mammoth study he has made of every acquisition, joint venture and start-up made by 33 large diversified US companies since 1950.

His advice on how to escape the yawning pitfalls of diversification includes the application of three *rigorous* tests to every project, and the much more careful selection of the right diversification strategy. However respectable it may appear, the fashion for amassing portfolios of unrelated companies should be avoided at all costs, he suggests—unless the predator is prepared to restructure its acquisitions with the specific intention of selling them at a profit.

Since 1950 the 33 companies examined in Porter's study (which is as yet unpublished) have together made a total of nearly 4,000 takeovers, joint ventures and start-ups. Just over half of these were in the form of acquisitions which took the company into new products and/or new markets.

The average divestment rate of these diversified acquisitions was just over half—roughly in line with the results of past takeover studies by other researchers.

But the average cloaks a remarkably wide range of corporate performances. At one end of the spectrum, Porter identifies a group of successful diversifiers, notably Johnson and Johnson and Procter and Gamble, the consumer products giants, and Raytheon, the electronics group. These paragons have divested little more than 10 per cent of their diversifications in new products and new fields. United Technologies and 3M, despite being two of America's most widely diversified industrial groups (some would say conglomerates), have performed almost as well, divesting around a quarter.

At the other end of the spectrum lie CBS (broadcasting and entertainment), RCA (entertainment plus consumer electronics), General Mills (packaged foods and retailing), Gulf and Western (financial services, publishing and entertainment), and Xerox, the reprographics giant. These have all divested three-quarters or more of their diversifications-by-acquisition, with Westinghouse (electrical engineering and electronics) not far behind. Even General Electric, which is usually noted for its good management, has divested well above the average.

Part of the explanation for this disparity, Porter says, is that the successful diversifiers have relied unusually heavily on internal start-ups rather than takeovers. They have also made a disproportionately low number of acquisitions in fields unrelated to their existing businesses.

But there is far more to it than that.

Even when diversifying into an apparently unrelated business, Porter argues, many companies fail to use three key tests which should be applied to any acquisition:

● The attractiveness test. (The industry chosen for diversification is or can be made structurally attractive.) "It doesn't matter if the 'fit' between acquirer and acquired is close if it's a useless business," Porter told a recent seminar in London on competitive strategy, organised by Britain's Strategic Planning Society. This test is often suspended because of the low cost of the acquisition and its apparently close fit, he added. "Alternatively, companies do the analysis very badly."

● The cost of entry test. (The cost of entering a new business must not offset future profits from it to an uneconomic extent.)

● The "better-off" test (The new business must either gain competitive advantage from the existing company, or vice versa.)

"Companies have a strong tendency to think that if they can do well on one of these tests, that's enough," Porter told the planners' seminar. "But meeting all three is a prerequisite for successful diversification."

In an attempt to provide companies with more appropriate and effective guidance than has been available in the past, Porter has developed four "concepts of corporate strategy" for diversified companies.

1—Portfolio management, as popularised by the Boston Consulting Group, and other leading consultancies. This often fails, for a host of reasons, including the excessive premiums paid for companies, and the increasing efficiency of capital markets. The latter, claims Porter, negates one of the prime purposes of building a portfolio of businesses, namely the ability "to push cash from one business to another." In countries with underdeveloped capital markets portfolio management can be effective, Porter concedes. "But if I were a company in the US or Britain, I'd be pretty embarrassed if I were still following that route."

With many portfolio-type companies being defeated by the sheer size and complexity of running themselves, Porter told the seminar that the assumptions behind portfolio management were becoming increasingly invalid. If companies in advanced economies could not find a more effective diversification strategy, they should desist from portfolio management, dispense their cash in the form of dividends, "and let shareholders be the portfolio managers."

2—Restructuring. This is a conscious approach of buying a wide range of different companies with potential for restructuring, and then selling them at a profit. Unlike portfolio management, Porter argues that this strategy can be effective, but only if several conditions are met. Corporate management must have superior insight in spotting and acquiring undervalued companies (a very difficult task these days, insider trading apart).

The acquiror must also have sufficient resources to turn round businesses in unfamiliar industries. Companies following the restructuring route "inevitably make a lot of mistakes," says Porter, citing a US restructurer which has three failures for each success.

Restructurers are also running up against a natural limit, Porter claims, because market forces are working against them in the sense that most of their potential prey are steadily improving the quality of their management.

A further pitfall for restructurers, however widely they may be diversified, is that as the size of their operations in a particular industry increases, they become subject to pressure to grow still further, rather than to sell. "Too many restructurers choke on the need to sell, and are tempted to hang on," Porter told the UK planners.

Whereas portfolio management and restructuring strategies fall largely into the category of unrelated diversification, Porter's two most favoured strategies focus more on related expansions. With these, companies can draw competitive advantage from various sorts of inter-relationships between their different business units:

3—Transfer of skills. This may smack of vague and old-fashioned "synergy," but it is far more specific. Porter emphasised to the planners that the sharing of generalised, "motherhood" skills — such as "good at managing international companies" and "good at dealing with government" — had no real meaning. "Mere comfort or familiarity with the business isn't enough," as he put it.

Instead, the transfer of skills must represent a significant source of competitive advantage for the recipient. When Philip Morris, the US tobacco group, bought Miller Beer, the transfer of its marketing skills enabled Miller to become far more sophisticated in the market than its brewing rivals. But when Philip Morris acquired 7Up, the soft drinks company, the same strategy had little effect, because 7Up's main competitors, Coca-Cola and PepsiCo, already had marketing skills of at least a comparable level.

A further problem in such cases is often that the planned transfer of skills does not actually occur.

4—Share activities. Under this strategy, which can only apply to the acquisition of related types of businesses, key activities such as procurement, marketing and distribution are actually shared between acquiror and acquiree. Porter cites the example of Marriott Corporation, the US hotels, restaurant and airline catering group, which shares the buying organisation (and suppliers) of $1bn of food a year.

A company that follows this approach must obviously create the necessary organisational structure to exploit interrelationships between its businesses. Yet in practice most companies are organised and managed in ways which discourage this, Porter claims.

Whichever of Porter's diversification concepts a company chooses, the pitfalls are many and various, and dangerously easy to fall into. So managements should undertake any diversification extremely cautiously, he warns, even if all the pressure of today's takeover climate is to decide quickly and buy just as fast. Otherwise the high divestment rates of the past 30 years will continue.

Porter concluded his seminar by presenting a seven-point action plan for would-be diversifiers. His advice included:

Pursue Type Four diversification first, and as opportunities get exhausted move into Type Three. Skill-sharing diversification should not be used as an end in itself, but as a basis for a Type Four strategy.

Only pursue Type Two diversification if there is a high level of confidence in satisfying its premises, and no better opportunities exist. Don't pursue Type One at all.

Above all, create a real corporate vision which is both effective and strong enough to energise the whole company. CBS called itself an "entertainment company," but none of its constituent parts shared anything. Likewise, many oil majors tried to turn themselves into "energy companies" in spite of the absence of any shared skills between coal and oil, for example.

By contrast, Marriott's vision of itself as a "travel company" has really firm foundations in the sharing of both skills and activities. As Porter put it, "every diversified company needs a corporate vision, but that vision must articulate how value is really to be created."

Leighton Morris

'Companies should consult customers'

Michael Skapinker reviews a report critical of UK manufacturers' attitudes

SIR PETER PARKER, former chairman of British Rail and of the council of the British Institute of Management, has some optimistic things to say about the state of British manufacturing. True, its competitiveness has been eroded, "but the deficiency is by no means dauntingly large. Like so many of the shortcomings in British industry it could be overcome by a change of attitude," he says.

Sir Peter's remarks come from the foreword to a study commissioned by the BIM. The study itself is markedly less cheerful. "Do we, as a manufacturing nation, always pay sufficient attention to giving customers what they want? Do we try hard enough to find out what it is they require? Do we make certain that what we are providing really is what they want?" the report asks. The answer is a resounding "No. We certainly do not."

The BIM report, based on interviews with 12 leaders of British industry and a survey of 40 manufacturing companies, indicates that while attitudes might be changing, practical improvement still lags a long way behind.

All of the companies (none of which was named) said they thought good liaison with their customers was important. But only a minority carried out thorough research to determine what those customers wanted.

The companies were asked to say which aspects of their business, such as prompt delivery or good design, they thought were vital to their customers and how they knew that. Only one quarter of the respondents said that all the features which they thought were vital had been found to be so through market research. One-fifth of the companies had conducted no research whatever on these vital feaures. The remaining companies were somewhere in between, having researched some features and not others.

On the subject of market research itself, "respondents appeared generally more interested in finding out how they stood financially relative to their competitors than in finding out the views of their customers, or how their products compared with those of their competitors," the report says.

When the survey moved from determining customer requirements to finding out whether those requirements were actually being met, the results were similar. Only 28 per cent of companies said they relied on outside evaluation to find out whether all of their customers' vital needs were being met. Twenty-five per cent used no outside evaluation at all and the rest were somewhere in between.

Asked what customers most often complained about, the response, overwhelmingly (and unsurprisingly) was availability and delivery of goods.

Quoting the *Marks and* Spencer philosophy that "we are only as good as our suppliers," the report then looks at the other side of the coin. How good are British manufacturing companies at keeping their suppliers up to the mark? Once again, not very.

Companies were asked to say which aspects of supplier performance they regarded as vital, such as delivery, quality and price, and how their suppliers were performing. Only 10 per cent of the companies thought their suppliers were providing good performance on all the vital features.

Asked why they stuck with the same suppliers, most said they had no other means of supply. The majority of dissatisfied companies said they were at at least considering changing suppliers, but 11 per cent were not even doing that.

One-fifth of the companies were measuring their suppliers' performance an all vital features. Only one in seven of the companies surveyed operated a formal supplier grading scheme. Fewer than half of these actually gave the suppliers the results, although they said that informal discussions on performance took place.

Competitiveness in UK Manufacturing Industry by Anthony Ovenden. Available from BIM Publications Dept, Management House, Cottingham Road, Corby Northants NN17 1TT. £10 to members; £20 non-members.

Company Notices

5¾% Convertible Debenture Loan 1969
US $ 15,000,000.–

GIST-BROCADES N.V.

Notice is hereby given that on 17 November 1986 at the office of the trustee and in presence of an attorney of the debtor, 75 debentures of US $ 1,000.– have been drawn by lot. Numbers:

1011,	1012,	1108,	1119,	1490,	1641,	1707,	2003,	2067,	2137,
3109,	3634,	4263,	4549,	5160,	5798,	6649,	6743,	7326,	7327,
7390,	7395,	8190,	8198,	8208,	8228,	8229,	8289,	8574,	8606,
8684,	8734,	8870,	8876,	8877,	8951,	9081,	9082,	9119,	9528,
9530,	9533,	9542,	9591,	9604,	9608,	9733,	10055,	10305,	10314,
10317,	11066,	11409,	12100,	12333,	12334,	12359,	12362,	12363,	12467,
13184,	13208,	13349,	13402,	13867,	13872,	13980,	14259,	14264,	14434,
14612,	14668,	14721,	14753,	14880,					

The debentures specified above are to be redeemend on 1st January 1987 with US $ 1,000.– each,
in New York City at Morgan Guaranty Trust Company of New York, or at the option of the bearer,
in Amsterdam: at the offices of Bank Mees & Hope NV, Algemene Bank Nederland N.V., Amsterdam-Rotterdam Bank N.V. and Pierson, Heldring & Pierson N.V.,
in Brussels: at Morgan Guaranty Trust Company of New York, Banque Bruxelles Lambert S.A. and Société Générale de Banque S.A.,
in Londen: at N.M. Rothschild & Sons,
by transfer to a Dollar account or by Dollar cheque drawn on Morgan Guaranty Trust Company of New York at New York City, in accordance with all laws and regulations applicable in the country of the paying agents concerned.
With reference to article 4 of the trust deed attention is called that until and including 31st December 1986, each drawn debenture of US $ 1,000.– shall be convertible at the price of Dfls. 15,40 per ordinary share Gist-Brocades N.V.
At this moment the principle amount of the debentures outstanding is US $ 660,000.–.
Of the debentures that were called per January 1, 1980 the number 7802, of the debentures that were called per January 1, 1983 the number 6636, of the debentures that were called per January 1, 1984 the numbers 163, 2068, and 8816, of the debentures that were called per January 1, 1985 the numbers 2327, 12495 and 13939, of the debentures that were called per January 1, 1986 the number 164 have not yet been presented for payment.

Rotterdam, 17 November 1986.

B.V. ALGEMEEN ADMINISTRATIE- EN TRUSTKANTOOR.
Wijnhaven 16, 3011 WP ROTTERDAM, The Netherlands.

Legal Notice

IN THE MATTER OF
KING WILKINSON (CYPRUS) LIMITED
AND IN THE MATTER OF
THE CYPRUS COMPANIES LAW
CAP 113

NOTICE IS HEREBY GIVEN that the Creditors of the above-named Company which is being voluntarily wound up are required on or before the 8th day of January 1987 to send in their full names, their addresses and description, full particulars of their debts or claims and the names and addresses of their Solicitors (if any) to the undersigned Mr Antony Hajiroussos FCCA of Julia House, 3 Themistocles Dervis Street, PO Box 1612, Nicosia, Cyprus, the Liquidator of the said Company, and if so required by notice in writing from the said Liquidator, are personally or by their Solicitors, to come in and prove their debts or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

DATED this 8th day of December 1986

A. HAJIROUSSOS, FCCA
Liquidator

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COLNAGHI, 14, Bond Street, W1. 01-491 7408. An exhibition of OLD MASTER PAINTINGS. Through November and December. Mon.-Fri. 10-5.30: Sat. 10-1.

BANCO DE BILBAO

The Board of Directors of Banco de Bilbao have authorised the payment of an interim dividend for the 1986 financial year, the amount per share being as follows:

Gross	Tax	Net Dividend
95.00	17.10	77.90 Pesetas

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SPACE INDUSTRY

Peter Marsh reports on the French-led satellite-launch company

Arianespace thinks big, aims high

"WE ARE not just the world's first space transportation company. We are *the* world's space transportation company."

It is with evident pride that Mr Charles Bigot, director general of Arianespace, talks about the work of his organisation, which was set up six years ago to manage the marketing and operations of Ariane, Western Europe's satellite launcher.

Arianespace, with 240 empolyees, most of them French, aims to account for about half the total market for putting into orbit civilian telecommunications satellites, a business which will be worth an estimated $1bn a year by the end of the decade.

It is trying to shrug off the effects of a launch failure in May — which has led to a suspension in flights, probably until March or April. Mr Bigot believes the cause of the failure, a problem with the rocket's third-stage engine, was relatively minor and will not affect long-term confidence in his company.

Arianespace is unusual on several counts. It is the first non-governmental concern to take responsibility for launching satellites. Nearly 30 years into the space age, this is still a novel activity, so much so that only seven nations, the US, the Soviet Union, Japan, China, France, Britain and India, together with one international consortium, the 11-nation European Space Agency (ESA), have managed the feat.

The company is also one of the very few genuinely trans-European companies, with a mixture of 50 mainly privately-owned shareholders, most of them aerospace concerns, drawn from 11 countries.

The biggest shareholder is the French national space agency (CNES), with a 34 per cent stake, followed by SEP and Aerospatiale, two French aerospace companies and the MBB-Erno of West Germany, each with about 8 per cent. Small stakes are held by several banks, including Credit Lyonnais, Midland Bank, Dresdner Bank and Union des Banques Suisse.

Part of Arianespace's brief is to co-ordinate the work of the 67 companies which build components for Ariane rockets. Of the 67, many of which are included among Arianespace's shareholders, 20 are in France, six in West Germany and five each in Belgium, Switzerland and Britain.

The rockets are turned out very much like mass-produced items. So far, 18 have been launched and 23 are on order. Building Ariane launchers, however, is a far cry from making cars or washing machines.

Each costs about $50m (£35m) and takes four years to construct. Some parts, high-performance components for the engines for instance, have to be ordered five or six years ahead.

If the staff at Arianespace are forced by the nature of their business to think big, the same applied to the architects of the company's headquarters, a modern, glass-panelled building in Evry, near Paris.

Faced with the need to put a one-fifth scale model of Ariane in the building's foyer, the architects could accommodate this only by making the latter into a huge internal space five storeys high.

Perhaps the most interesting aspect of Arianespace is the way the company has bridged the gap between a government-funded high-technology project and the selling of products in the world marketplace.

Arianespace has not had to pay any of the $1bn, all put up by European governments, that the rocket cost to develop. The biggest backer of the Ariane development, which ESA co-ordinated, was France, which put up three-fifths of the total cash.

The $2bn or so required to build a more powerful form of Ariane — the so-called Ariane-5 rocket, which should be ready by 1995 and which Arianespace will operate — will again be contributed by the ESA member states. European governments also put up the $150m required for a new launch pad at the ESA rocket station in Kourou, French Guiana, from which Ariane takes off.

Arianespace disputes, however, any suggestion that it is featherbedded by unfair subsidies. It says that, although it does not have to contribute development costs, it has to pay the full commercial price for maintaining its share of the Kourou base and for renting facilities there from ESA.

Moreover, there is the philosophical argument that many other companies, in telecommunications satellites for example, have benefited from large expenditures by taxpayers in funding basic technologies that the companies have gone on to commercialise.

From the point of view of governments, it can be argued that funding the Ariane development has not only led to a significant amount of industrial activity—about 8,000 people in Europe work on the Ariane programme—but also helps energise European companies in technologies related to rocket engineering such as computers and new materials.

The Ariane rocket lifts off from the launch base at Kourch in French Guiana

On top of all this, Arianespace can claim that its activities are starting to show a profit. Last year, the company recorded a surplus of FFr 21.5m (£2.3m) after deficits in the first three years of operation and a smaller profit in 1984.

The black spot for Arianespace, the failure of the last Ariane mission in May, came amid a series of similar mishaps involving US launchers which has thrown the space business into disarray. Following the explosion in January on the US shuttle Challenger, the remaining vehicles in the fleet will carry mainly military and scientific payloads, rather than satellites launched on behalf of private customers.

This will mean, according to Mr Bigot, that the main competitors to Ariane will be expendable rockets operated by US companies such as General Dynamics and Martin Marietta, none of which, however, has started its rocket marketing operations.

The Chinese and Japanese governments are also expected to become increasingly active in taking objects into space on behalf of Western companies, although Mr Bigot does not think these countries will be major participants in the space business until the 1990s.

In the view of Mr Bigot, an experienced rocket engineer who 20 years ago supervised CNES's first launcher programmes, the failure of the Ariane rocket last May damaged the company's credibility only slightly.

Indeed, Arianespace appears to have benefited from satellite companies and governments realising that they cannot obtain slots on the shuttle and switching their payloads to the European rocket. Organisations which have done this include the Indian and UK governments, Intelsat, and JCSat, a Japanese consortium, each of which will have to pay $40m-£$50m for a launch.

All this activity has swelled Arianespace's order book to about FFr 15.5bn (£1.6bn) and means the rocket is fully booked until 1990.

Despite the seemingly high demand for using Ariane, Mr Bigot says his company is not interested in expanding too fast. He expects it to launch about 10 of the 20 civilian telecommunications satellites that are due to enter orbit each year, together with a few military and scientific satellites.

To entertain hopes of launching more vehicles, he says, would entail the construction of more launch facilities at Kourou—the current launch pad can handle no more than about 10 rocket missions a year—and would be too risky.

"The market is still growing, but not very fast," says Mr Bigot. "It's not a good solution for us to try to take too big a slice of the market."

Architecture/Colin Amery

Musée d'Orsay: grand temple of our time

The eyes of the world, or of that growing part of the world concerned with art and architecture, were fixed on Paris last week for the opening of the Musée d'Orsay. As my colleague, William Packer, has already said on this page: "Paris has yet another magnificent museum of art . . . already vaunted as the most important such development in Paris or anywhere in this latter half of our century."

It is right that such a development receives as much critical attention as possible—new museums are the temples of four times, as much for their architecture as for their art.

We have always looked across the Channel for the grand gesture, for those great cultural sweeps that sum up a century or define a movement. We also expect to find that France, with its powerful Paris-centred artistic bureaucracy, will provide the monuments that define the taste of their times.

The new Musée d'Orsay inside the long empty *fin de siècle* Gare d'Orsay opposite the Louvre is, only one of President Mitterrand's *grands projects*. For Mitterrand loves to build. He has been reported as saying: "Architecture is *the* premier art; more than anything, it is useful art." Evidence of his passion will soon be everywhere in Paris, already demonstrating his political conviction that his government will have achieved nothing if it does not lay the foundations for a new urban civilisation.

At the Parc de La Villette there is the new National Science, Technology and Industrial Museum designed by Adrien Fainsilber in a new park designed by Bernard Tschumi, complete with the extraordinary Géode cinema, and Le Zenith for pop concerts.

At the Louvre, hoardings hide the work underway on the underground parts of the new Cour Napoléon, which will be topped by the controversial glass pyramid designed by I. M. Pei. This new entrance area and underground circulation space will make it possible to replan the Louvre.

The removal of the bureaucrats from the finance ministry to Bercy means the palace will be devoted to art. There is also to be the new opera house at La Bastille and the cube monument at La Défense.

In the tradition of Louis XIV Francois Mitterand does not stint on money. The estimated cost of the Musée d'Orsay is £150m—which makes it an expensive conversion of a former railway station.

But the architect, an Italian woman called Gae Aulenti, with her collaborators Italo Rota and Piero Castiglioni, has built a new museum inside the great roof of the old station. It is an epic achievement. Imagine converting Paddington station into a museum and you can understand the scope of the undertaking.)

Gae Aulenti's work at the d'Orsay marks a startling and brave approach to conservation. The old station of Victor Laloux, which formed the gateway to the great Paris Exhibition of 1900, is still there but at the same time it has been conquered by Aulenti's new installations. Where the platforms of the old railway were there is a long vista of stone platforms and ramps for sculpture that form a huge trench running the length of the museum. The sloping planes made of smooth stone are flat in their detail—the feeling is almost Egyptian—indeed, the scale is of the Valley of the Kings. It is a strong statement, blank and angular, with no concessions to the flourishes of the 1900-built station.

Sometimes the endless, ornamental rows of small circles Aulenti uses remind you of the rivets that support the 19th century ironwork. But her referential palette is much closer to the sort of planar geometry of the new Rome and a feeling for the heaviness that so often marked the work of the 20th century Italian museum designer, Carlo Scarpa.

Indeed, ... ghost of Scarpa lives on the grand scale at the Musée d'Orsay; the influence of his dramatic techniques of displaying sculpture (as at the Castel Vecchio in Verona) sometimes works well here, though it often elevates small works to the point of invisibility.

The two tall towers, which house stairs and some Art Nouveau exhibits, provide any visitor with a remarkable architectural experience. The view from the top looking down on terraces of sculpture and ant-like people is like a scene from an epic movie.

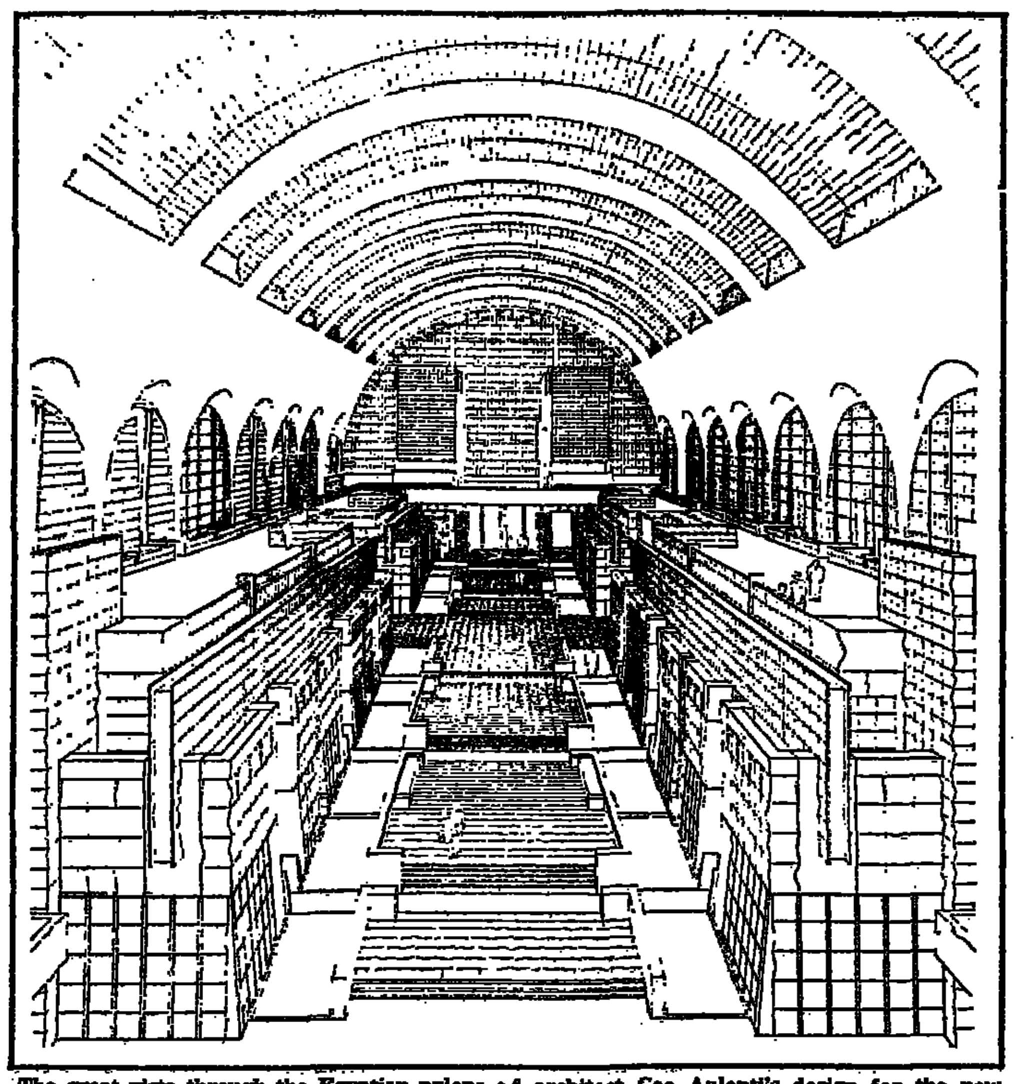
Fritz Lang's *Metropolis* is here—even in the way crowds are shepherded onto the escalators that only take you to the roof. The sense of tiny people constantly moving through these vast halls forces you to realise the great power of these 19th century constructions in a way Aulenti can hardly have anticipated.

The sense of a teeming monument, of lines of dark forms in constant motion on the light stone floors, is almost more memorable on a first visit than the wonderful collection of the greatest art of the period 1848-1914. The snag is that the *tour de force* of the architecture, and in particular the fierce lighting, work against the enjoyment of the paintings.

To see the magnificent Courbets on white stone walls transforms them into black, flattened images. The Impressionists may look well in the summer light with reflections from the Seine but at this time of the year all the paintings were, for me, killed by the ruthless lighting and hard wall surfaces. Poor Gaugin, painter of some of the most happily sensual paintings in the world, is now trapped in a steel and glass prison where his work is ruined. Monet, in particular, is crushed in this huge creation.

The Musée d'Orsay still feels like a great terminus. Sometimes the displays work well. The evocation of the building of the Opéra, and the model of Paris seen through a glass floor—the totem poles of archtectural facades—are blatant and in their way, effective pieces of dramatic museum design that fight back with the building.

The view of Paris from behind the clock's glass face is a wonderful bonus, as is the thoroughly pleasurable sense of clambering over a giant building. But sheer scale and ubiquitous stone surfaces and a high level of noise make the d'Orsay one of the most exhausting museums in the world. I admire the achievement but am forced to question the way the monumentality has prevented comfortable contemplation of the works of art. Mitterrand's appetite for *la gloire* is a far cry from Monet's search for the gentle light of truth. The Musée d'Orsay opens to the public tomorrow.



The great vista through the Egyptian pylons of architect Gae Aulenti's design for the new Musée d'Orsay in Paris

FT Arts Lecture/BAFTA

Martin Hoyle

The third Financial Times Arts Lecture was given last Thursday. The previous addresses dealt with architecture and modern music; and it was anyone's guess until the last minute as to what Jonathan Miller's erudition would illumine. The popular biologist of *The Body in Question*, the successful director of such stage classics as *Long Day's Journey into Night*, the operatic iconoclast of ENO's *Rigoletto* and *The Mikado*, the cathode-ray conjuror of Lewis Carroll and M. R. James, in fact opted for fields still fresh for him. Perhaps with next year's film of *The Tales of Hoffmann* (with Placido Domingo) in mind, he talked on Moving Pictures at the appropriate venue of the British Academy of Film and Theatre Arts in Piccadilly.

Dr Miller's concerns were less artistic than mechanical, the mechanics centering on those "structural peculiarities" of film that, he claims, are as striking as the art represented Reflections on the technique of cinematic illusion were balanced by an analysis of the spectator's perceptiveness. Thus Dr Miller embraced psychology, neurology, psycho-physics (the "hard wiring of the brain") and aesthetics.

He took as point of departure Lessing's essay on the Laocoon, with its distinction between visual art's frozen moment (with its inbuilt hints of past and future) and poetry's evocation of "consecutive change." The frame of reference — classical, religious — assumed as common currency by the artist turned the pictorial arts into "publicity stills for a movie already made." Dr Miller proceeded to illustrate our own perceptual conventions and codings, from the automatic acceptance that two alternating "talking heads" facing us directly are actually addressing one another, to the more sophisticated shimmering dissolve that on the screen betokens memory and flashback — a convention, it seems, instinctively understood by even very young children with no explanation.

Paradoxes abound. The abused "slug-trails" which Impressionist painters used to depict human figures were more convincing than the isolated photographic frame with no sense of velocity. The alleged naturalism of cinema can in fact depend on a variety of factors, such as motion. Dr Miller cited the classic case of the abstract pattern of spots and blotches that mobility revealed as a Dalmatian dog against a flecked background; and recalled the Swedish psychologist Johansson who attached small lights to the joints of a man's body. Recognisably human in movement, the outline was unidentifiable when still.

Establishing this mental space naturally leads to the art of film-editing. As Dr Miller pointed out, the art of bluffing one's fragmented vision into an apparent cohesive whole, when different angles, viewpoints, dimensions and indeed objects, could easily subvert the narrative, resembles English Common Law. Wisdom hard to put into words is made up of precedents.

Talk of establishing shots, eye-lines and noddy-shots touched tantalisingly on the graft (besides the craft) of television, but Dr Miller stayed with general theory. He referred intriguingly to the "regrettable growing tendency to capture novels and turn them into films" (often "catastrophic") without naming names: nor, in the subsequent question and answer session, did anyone ask about his versions of *Alice* and *Whistle and I'll Come to You, My Lad*. Nevertheless, the result of this wide-ranging lecture was to enlarge the audience's own mental space considerably.

Ashley Ashwood

Lord Blakenham, chairman of the Financial Times, with Jonathan Miller

Paul Bunyan/Morley College

Rodney Milnes

Morley Opera's revival on Friday of Britten's "choral operetta" of 1941, in commemoration of the 10th anniversary of the composer's death, served as a reminder of the virtues of a work al ltoo seldom performed since the untimely demise of the English Music Theatre Company, who gave the first European stage performance in 1976.

Here are a freshness of inspiration, a directness, an emotional wholesomeness, and a vein of laid-back musical humour that are not always immediately apparent in Britten's later stage works.

It is hard to say precisely why the piece should be so strangely affecting, but it probably has to do with the abdication of an all-powerful father figure. Whoever Bunyan may be supposed to represent (God? Lenin? Take your pick), it is clear that humanity is still unable to go it alone without the guidance of some idealistic moral force. z

There is a sense of desolation at the end of the work, underlined by the heartfelt lyricism of the final ensemble (no, Britten surely couldn't have heard Jenufa in 1941, but its similarity to the choral lament in the first act of Janácek's opera is very striking).

The main problem remains the arch, wink-and-nudge camp of parts of Auden's libretto, a problem minimised by less than crystal-clear diction and by the straightforward Tom Hawkes production.

The chorus of lumberjacks sang with admirable confidence and fullness of tone, lumbering about with enough naturalness to avoid dangerous Pythonesque undertones, while the antics of the camp pets were kept on a sufficiently (just) tight rein.

There were some promising performances. To Johnny Inkslinger, the first Britten "outsider," Brian Galliford brought due sensitivity of phrase and tone. All that was needed was more confidence of projection.

Lawrence Wallington smouldered sonorously as Hel Helson, and Paul Tindall and Robert Torday dealt deftly with the bad cooks' comedy duet (Britten's feel for parody here is at its most Weill-like). Leanne Fjetland's Tiny had professional poise and, after a tremulous start, steadiness of tone; Dominic Laurie's Western Union Boy was as irresistible as his music.

The most striking talent was shown by Robert Jeffrey as Slim (the good cook); his tenor may yet be unfinished but, voice or no voice, he is a natural creature of the stage and radiates star quality waiting to be tapped.

Stuart Hutchinson had the unenviable task of keeping the work on the move (the two piano and percussion version was used). The mixture of speech, set number and *melodrame* is very tricky.

Offstage and Platform Plays

Martin Hoyle

The admirable Offstage bookshop in Chalk Farm is presenting the British premiere of Neil Simon's *I Ought to be in Pictures*

Mark Bailey's design, a stylised cluster of oranges outside the sparsely furnished living-room, provides the lackadaisical environment for a failed Hollywood scriptwriter. As if written by its flagging protagonist, the play fails to ignite. This is not the best product of the Simon one-liner factory.

The three-hander tries for something deeper when indolent, self-doubting Herb Pooter is confronted with the kookie teenage daughter from the family he abandoned 16 years ago. Not even Barbara Barnes's strenuous pixiness avoids the overly winsome, as parent and child talk whimsically of sex, career and relationships, and find new confidence.

Mannir Redwood plays the father with a faint irascibility which explains his failure as a comedy scriptwriter, while Barbara Rosenblat as the new woman in his life looks suave and rueful. Good American rhythms. Robert Gillespie directs.

Dairy of a Somebody has nothing to do with the Pooters. Holloway is mentioned *en passant*, but the seven-man orgy in a *pissoir*, notoriously immortalised in Joe Orton's diaries, would tax even Carrie's newly discovered descriptive powers.

The Cottesloe is mounting a National Theatre platform production of excerpts from the late playwright's diaries, scrappily dramatised by his biographer John Lahr, whose voice briefly sets the scene for the murderous climax to the Orton-Kenneth Halliwell relationship.

We observe the couple's disastrous Libyan holiday (Jonathan Hyerson's production has them shuffling back-to-back round the invisible hutch of an hotel room), Joe's surreal sexual encounters and his success. Five players present, among others, Paul McCartney and Kenneth Williams.

Halliwell was a tragic figure *manqué* with much more to him than Bruce Alexander's flouncing in a ginger wig would suggest. We could do with more of the Edna Wellthorpe (Mrs) letters, actually miniature comic masterpieces; but John Sessions, wickedly grinning, a perpetually boyish fiend, gets the Orton persona over. The early hour (6 pm) does not denote suitability for children.

New Macnaghten Concerts

Richard Fairman

If there is one aspect of the music currently being written in the Soviet Union that might not have been easily predicted before the advent of Radio Three's recent Russian season, it is the inherent beauty that has characterised so many of the scores. The more one hears, the more lovely sounds each composer seems to have on offer.

The two new works performed on Thursday at St John's, Smith Square, merely too the investigation further down the same road. Vassily Lobanov's *The Voice*, written in 1984, is a setting of eight brief songs: with deft strokes each quickly establishes aural pictures such as raindrops or morning lingering over the sea to match its text, and does so with a sensitivity to pure sound that keeps the simple musical ideas lingering in the memory.

At times the composer's fastidious use of texture and colour might well recall the impressionists. But then they were still more to the fore in Nicolai Korndorf's *Yarilo*, a piano solo which explores that favourite subject of impressionism, the rise of the sun and early morning birdsong. Lobanov himself was the pianist in both works and he was joined in his own piece by the mezzo Susan Bickley, who made much of the short, but often very beautifully-wrought vocal lines.

The audience greeted Lobanov's appearance with well-deserved enthusiasm. This special series of the New Macnaghten concerts, entitled Perceptions, is based on Soviet composers, but also includes first performances of British Music. The more important of the two premieres heard on this occasion was the revised version of Giles Swayne's *god-song*, the first few excerpts from which were unveiled almost exactly a year ago and had promised a work of much intellectual complexity.

These expectations were neither disappointed nor fully satisfied by the final product. First impressions leave a feeling that there are clear areas of the score that require more cogent argument, though the very concentration of its style suggests that it may well repay further study. *Angel in the Works*, a vocal piece involving strong contrasts of material by David Lancaster, completed the programme.

Le Corbusier centenary

The exhibition *Le Corbusier: Architect of the Century* will marke the architect's centenary at the Hayward Gallery from March 5 to June 7.

Organised by the Arts Council, the work has been selected by architectural historian Tim Benton, architect Neave Brown, Christopher Green of the Courtauld Institute and Richard Francis of the Tate.

A series of lectures and a symposium will coincide with the exhibition. The ilustrated catalogue will contain essays by prominent critics and historians.

Sir Laurence Olivier awards

Antony Thorncroft

There were few surprises at lst night's Sir Laurence Olivier Awards, London's equivalent of the New York Tony's given for excellence on the West End stage.

Les Liaisons Dangereuses the RSC production now playing at the Ambassadors Theatre, was voted best play, with Lindsay Duncan collecting the best actress award for her performance. Albert Finney was best actor for *Orphans* while the musical of the year was *The Phantom of the Opera*. Its star, Michael Crawford, was credited with the outstanding performance by an actor in a musical.

The winning comedy production was the revival of Priestley's *When We Are Married* and from it Bill Fraser carried off the comedy performance title for his role as the drunken photographer. The best performance by an actress in a musical award went to Leslie Mackie for *Judy*, in which she played Judy Garland.

Paul Jesson gave the outstanding performance in a supporting role in *The Normal Heart* and the Gordon's Gin award for the most promising newcomer went to Sally Dexter who appeared in the National Theatre's production of *Dalliance*.

The greatest achievement in opera was judged to be that of Thomas Allen and Graham Clark in *Dr Faust* and the greatest dance achievement went to the Ballet Rambert for its 50th anniversary season.

Bill Alexander was director of the year for *The Merry Wires of Windsor* and William Dudley. was the best designer for three plays—*Futurists*, *Kafka's Dick*, and *The Merry Wires of Windsor*. The Observer Award for outstanding achievement in the theatre went to the Lyric Hammersmith for mounting *The House of Bernarda Alba*.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

December 5–11

Music

NETHERLANDS

Rotterdam, De Doelen, James Conlon conducting the Rotterdam Philharmonic, with Yung Uk Kim, violin: Verdi, Bruch, Rachmaninov (Tue to Thur). (414 29 11).

Utrecht, Vredenburg. Hartmu Haenchen conducting the Netherlands Philharmonic, with the Netherlands Opera Choir and soloists: Schubert, Bruckner (Wed). Recital Hall: The Mondrian and Gijsbrecht van Aemstel quartets, with Stanley Hoogland, piano, and Marjanne Kweksilber, soprano: Milhaud (Wed). Schubert lieder sung by Udo Reinemann, baritone, accompanied by Rudolf Jansen (Thur). (31 45 44).

Groningen, Oosterpoort, The Münchner Baryton Trio: Haydn, Tomasini, Bialas (Mon) The Netherlands Chamber Choir: De Leeuw (Thur). (13 10 44).

Amsterdam, Meervaart. The Orlando Quartet: Beethoven (Wed). (10 73 93).

LONDON

Philharmonia Orchestra conducted by Gennadi Rozhdestvensky with Viktoria Postnikova, piano. Tchaikovsky, Borodin and Mussorgsky/Ravel. Royal Festival Hall (Mon).

London Symphony Orchestra conducted by Gary Bertini with Krystian Zimerman, piano, Liszt and Mahler. Royal Festival Hall (Tue).

Stuttgart piano trio: Mozart, Ravel and Schubert. Queen Elizabeth Hall (Mon).

London Philharmonic conducted by Edward Downes with Nigel Kennedy, violin. Delius, Elgar and Vaughan Williams. Royal Festival Hall (Wed).

London Mozart Players conducted by Jane Glover with Adrian Thompson, tenor. Mozart, Britten, Musgrave and Haydn. Queen Elizabeth Hall (Wed).

Philharmonia Orchestra and Chorus and Choir of Kings College, Cambridge conducted by Stephen Cleobury with Peter Knapp, baritone, Christmas programme. Royal Festival Hall (Thur).

Hilliard Ensemble: Christmas music, Queen Elizabeth Hall (Thur).

PARIS

Margarita Zimmermann, mezzo-soprano (Mon). Theatre Mogador (4874 5724).

Nouvel Orchestre Philharmonique conducted by Philippe Bender (Mon). Salle Pleyel (4561 0630).

Georges Cziffra: Schubert, Chopin, Liszt (Mon). Comedie des Champs-Elysées (4504 1215).

Helge Antoni, piano: Sinding, Chopin, Liszt (Mon). Salle Gaveau (4563 2030).

Grace Bumbry, mezzosoprano, Jonathan Morris, piano: Brahms, Schumann, Johnson, Billups (Mon). Theatre de l'Athenee (4742 6727).

Orchestre de Paris conducted by Michel Plasson, Ivo Pogorelich, piano: Ravel, Tchaikovsky, Chausson (Wed, Thur). Salle Pleyel (4561 0630).

Nouvel Orchestre Philharmonique conducted by Michel Lasserre de Rozel and Maitrise Radio France: Gabriel Pierne – Les Enfants a Betlehem (Thur). Saint-Germain-des-Pres Church (4277 1883).

BRUSSELS

Palais des Beaux Arts: Jean Paul Rampal, flute and John Steele Ritter, piano. Weber, Schubert (Wed). (512 50 43).

Musee Instrumentale: François Fernandez, violin, Philippe Pierlot, viola da gamba, Pierre Hantai, harpsicord. Couperin, Leclair, Marais (Wed). (511 35 95).

VIENNA

Concentus Vocalis and Vienna Bach soloists conducted by Ernst Wedam. Bach B minor mass. Musikverein (Mon).

ORF Symphony Orchestra conducted by Martin Sieghart with Freda McNair, soprano, Wolfgang Schulz, flute, Robert Lehrbaumer, organ. Eder. Konzerthaus (Tue).

Chamber Orchestra of Europe conducted by Claudio Abbado with Viktoria Mullova, violin. Vivaldi, Mozart. Konzerthaus (Wed).

Vienna Symphony Orchestra conducted by Charles Mackerras with Christian Altenburger, violin. Mozart, Bartok, Brahms. Musikverein. (Thur).

Chamber Orchestra of Europe conducted by Claudio Abbado with Friedrich Gulda, piano. Prokofiev, Mozart, Schubert. Konzerthaus (Thur).

NEW YORK

Merkin Hall (Goodman House): Members of the Gainsborough String Quartet on original instruments. Malcolm Bilson director and pianoforte. All-Mozart programme (Mon); Arthur Balsam piano recital. CPE Bach, Mozart, Beethoven, Chopin, Brahms (Tue mat); Prism Orchestra. Robert Black conducting. William Thomas McKinley, Shostakovitch (Tue); The American Brass Quintet. Maurice Wright (world premiere), Brahms, David Sampson (world premiere), Anthony Plog, Osvaldo Lacerdo, Renaissance Canzoni (Wed); Judith Pearce, flute recital with Elizabeth Di Felice, piano. CPE Bach, Duncan Druce, Reicha, Roussel, Jonathan Harvey (Thur). 67th w. of Broadway (362 8719).

New York Philharmonic (Avery Fisher Hall): Zubin Mehta conducting, Maria Chiara soprano, Shirley Verrett mezzo-soprano, Luciano Pavarotti tenor, Matti Salminen bass with New York Choral Artists directed by Joseph Flummerfelt. Verdi (Thur). Lincoln Center (874 2424).

Saleroom/Antony Thorncroft

After the extraordinary succession of Impressionist and modern picture sales in London last week, which brought in £75m, attention switches to the Old Masters. On Wednesday Sotheby's holds its most important sale in this sector for many years, with an important Rembrandt and two paintings by Frans Hals coming under the hammer.

It is a sign of the times that the Rembrandt will probably sell for less than a Manet and a Braque did last week. Sotheby's estimates about £2m for his portrait of a girl in a gold-trimmed cloak. Since the Rembrandt is the first major painting in his hand to appear at auction in 20 years, and since it is a fine early work, the actual selling price is likely to exceed the forecast.

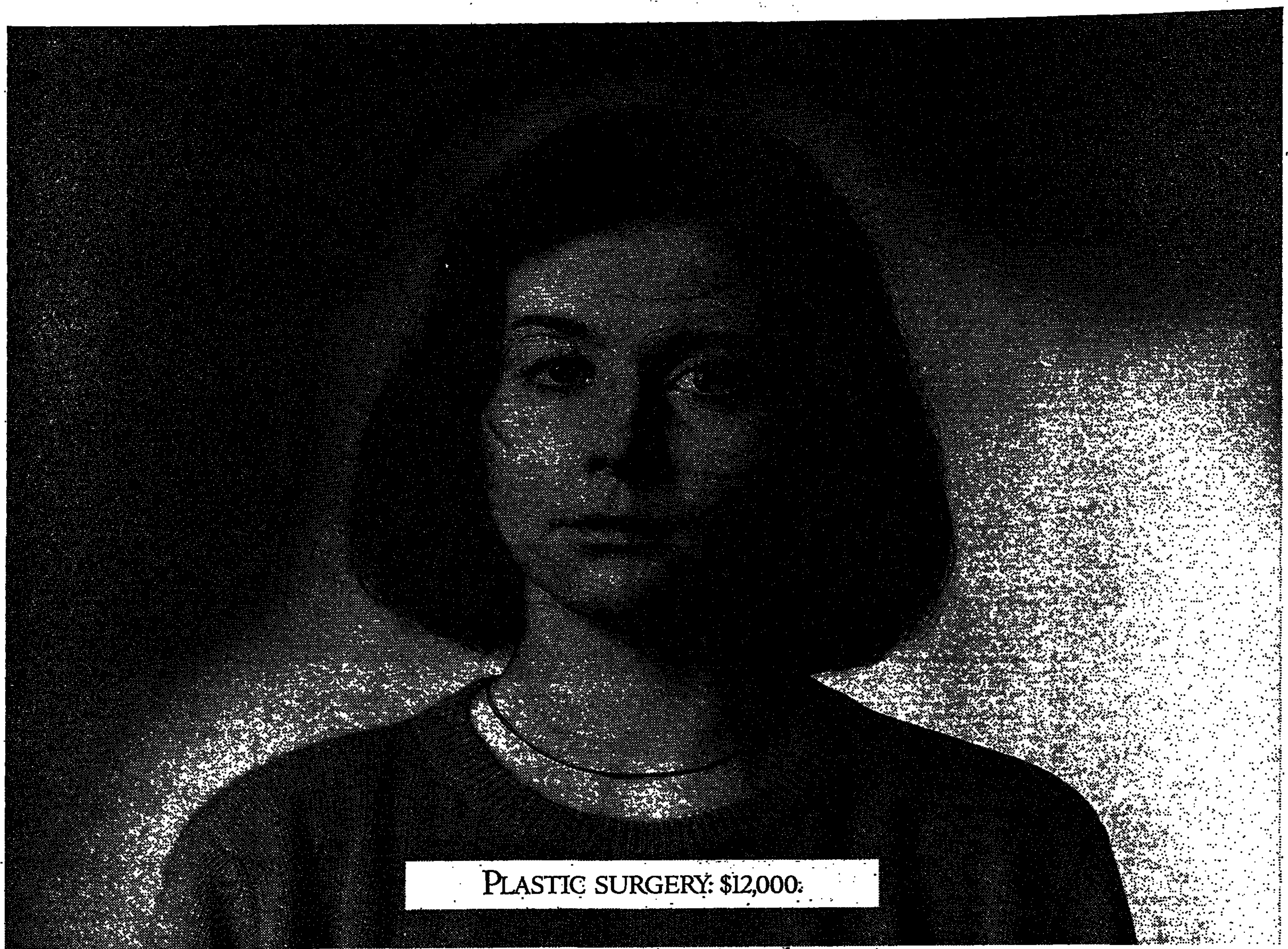
Even so, it is amazing that such a masterpiece should not be able to match the price levels of lesser artists. The two portraits by Hals are expected to go for about £2m each. All three paintings were sent to London for auction from the US. If the EEC gets its way, and a 15 per cent VAT is imposed on art imports, these are the kind of properties that will be lost to the UK.

In the same auction 17 Italian Baroque paintings of the 17th century, from the collection of Edward C. Goodstein of California, will create considerable interest. Demand in this sector has begun to rise after years of neglect. The top price is likely to be about £800,000 for "St John the Baptist in the Desert," by Guercino.

The other highlight of the weeks is a rare 15th-century English gold jewel, discovered by a metal excavator near Middleham Castle in Yorkshire, which could fetch up to £300,000 at Sotheby's on Thursday. The "Middleham jewel" is one of the most impressive creations of the goldsmith's art to have come down from the middle ages. It was perhaps used as a charm to ward off epileptic attacks.

Sir Michael Redgrave acting scholarship

The Guildford School of Acting and Dance has been given an acting scholarship to honour the memory of Sir Michael Redgrave. It consists of £100,000 to establish a fund to be known as the Michael Redgrave Scholarship. The first scholar will be Erla-Ruth Hardardottir, from Iceland.


PLASTIC SURGERY: $12,000.


PLASTIC COATED WINDSCREEN: $120.

FINANCIAL TIMES

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Monday December 8 1986

Half speed Europe

THE European Community summit, which ended in London at the weekend, will hardly go down as a milestone in the history of European integration. In the words of Mrs Thatcher, it was workmanlike and very practical and dealt in broad terms with a host of issues which have occupied successive ministerial councils of the 12 over the past six months. What was lacking was a longer-term perspective of the kind one would normally expect heads of government and state to give to the European enterprise.

No attempt was made by the participants to deal with the two major problems looming on the immediate horizon, those of Community financing and agricultural reform. The failure to do so was the result of deliberate policy by the UK presidency, backed by most of the member states, to avoid a debate which had not yet been adequately prepared.

The argument behind this procedural decision was that the European Commission has yet to table its proposals on these issues and will not do so until Mr Jacques Delors, its President, has sounded out governments during a tour of capitals at the beginning of next year. Moreover, Mr Helmut Kohl, the West German Chancellor, was in no mood to make any of the required compromises on the eve of next month's German general election.

For some these might appear to be valid reasons for not tackling now what will certainly become the Community's biggest headache in 1987. However, given the imminence of the financial crisis facing the 12, the European leaders could have been expected to show a greater sense of urgency on matters on which they, and not their ministers, inevitably will have to take the final decisions.

The shortfall in the Community's budget for 1987 has been forecast at more than Ecus 4bn (£3bn) and the European Commission has aready been asked to table proposals for a supplementary budget by next spring. As a result, the next European summit in Brussels at the end of June, at which the Belgians will be in the chair, is likely to be dominated entirely by budgetary and agricultural problems which should have been dealt with much earlier.

Natural allies

However, the tactics adopted by Mrs Thatcher did have some very obvious advantages. They enabled really serious controversy to be avoided, a rare phenomenon at European Council meetings, and allowed Britain to steer the conference in a direction more or less of its own choosing.

The importance of completing a package of internal market measures, deregulation and aid to small- and medium-sized businesses all figured prominently in the list of economic priorities in the final communique. Mrs Thatcher's influence was also much in evidence in the programme for Community decisions next year, which include new measures to liberalise capital movements and to open up the market in financial services, as well as in the principles which should govern the common fight against terrorism.

That is not to say that the Prime Minister had things entirely her own way and that all her partners have become converts to Thatcherism. Particularly during the economic debate, which was described by several participants as one of the best ever at a European Council, some powerful Keynesian voices made themselves heard. The Italian, Greek and Spanish leaders, all socialists, argued strongly in favour of an economic growth strategy including greater public investment as the best means for creating more jobs. Even Mrs Thatcher's natural allies, like Mr Kohl, put the emphasis on what has become known in Community jargon as "social dialogue," close consultation between government, employers and trade unions, as the means which should be employed by member governments to achieve non-inflationary growth and the creation of more jobs.

Fudged issues

It is to the credit of all concerned, no doubt, that these fundamental differences of approach to economic problems were not allowed to sour the atmosphere and could be reconciled, at least on paper, without too much difficulty. Yet the absence of any really far-reaching decisions, the failure to deal with fundamental problems such as Community financing and farm surpluses and the fudging of issues such as US-European relations, prompt the question whether the London summit has really fulfilled the purpose of such meetings. When European heads of state and government meet, they should be able to raise their sights and produce ideas which will help to shape the long-term future of their community. That was the original idea behind the European Council. It is not being upheld.

The panel and the law

THE CITY Takeover Panel, which polices mergers and acquisitions in the UK, has been spending a good deal of time and a great deal of money arguing that its decisions should not be subject to judicial review. Its claim has always been that its authority and speed of response would be fatally undermined if its role as final arbiter in a bid battle were to be passed on to the courts. Last week, however, it lost the struggle when the Appeal Court ruled that the panel was not above the law. Does that mean its days are numbered?

Probably not. Indeed, it is even possible that the panel's position may be strengthened by the way that Sir John Donaldson, Master of the Rolls, has framed the judgment which he delivered on Friday.

There are, he says, two key issues at stake—one jurisdictional and the other practical. On the first of these, he argues that it is unthinkable for the panel to go on its way cocooned from the attention of the courts in their job of defending the citizenry. The panel performs an important public duty, and has a responsibility to act judicially. Its source of power is only partly based upon moral persuasion and the support of financial institutions—its support at the bottom line being the statutory powers exercised by the Department of Trade and Industry and the Bank of England.

Combined functions

What would happen, Sir John asks, if the panel went off the rails? How long would it take for either the City or parliament to respond, and who in the meantime would come to the assistance of those who were being oppressed by its conduct?

The conclusion is inescapable. But having determined that the court should indeed have power to review the panel's decision, the judgment turns to the practical issue at stake—the special needs of the financial markets for speed in decision making, and for being able to rely on such decisions as a sure basis for dealing in the market.

Sir John has gone out of his way to prevent the use of the courts as a mere ploy in a takeover battle, and to support the authority of the panel. As a body, he argues, it combines the functions of legislator and court, investigating breaches of its rules and imposing penalties where necessary.

As such, "there is little scope for complaint that the panel has promulgated rules which are *ultra vires*, provided only that they do not clearly violate the principle proclaimed by the panel of being based upon the concept of doing equity between one shareholder and another."

If called upon to intervene, the court should take into account not only the facts of the particular case, but also the public administrative role which the panel is designed to provide. And relations between the panel and the court should be historic rather than contemporaneous. In other words, the court would not normally reverese panel decisions, but would merely make sure that any errors were not repeated.

Innocent days

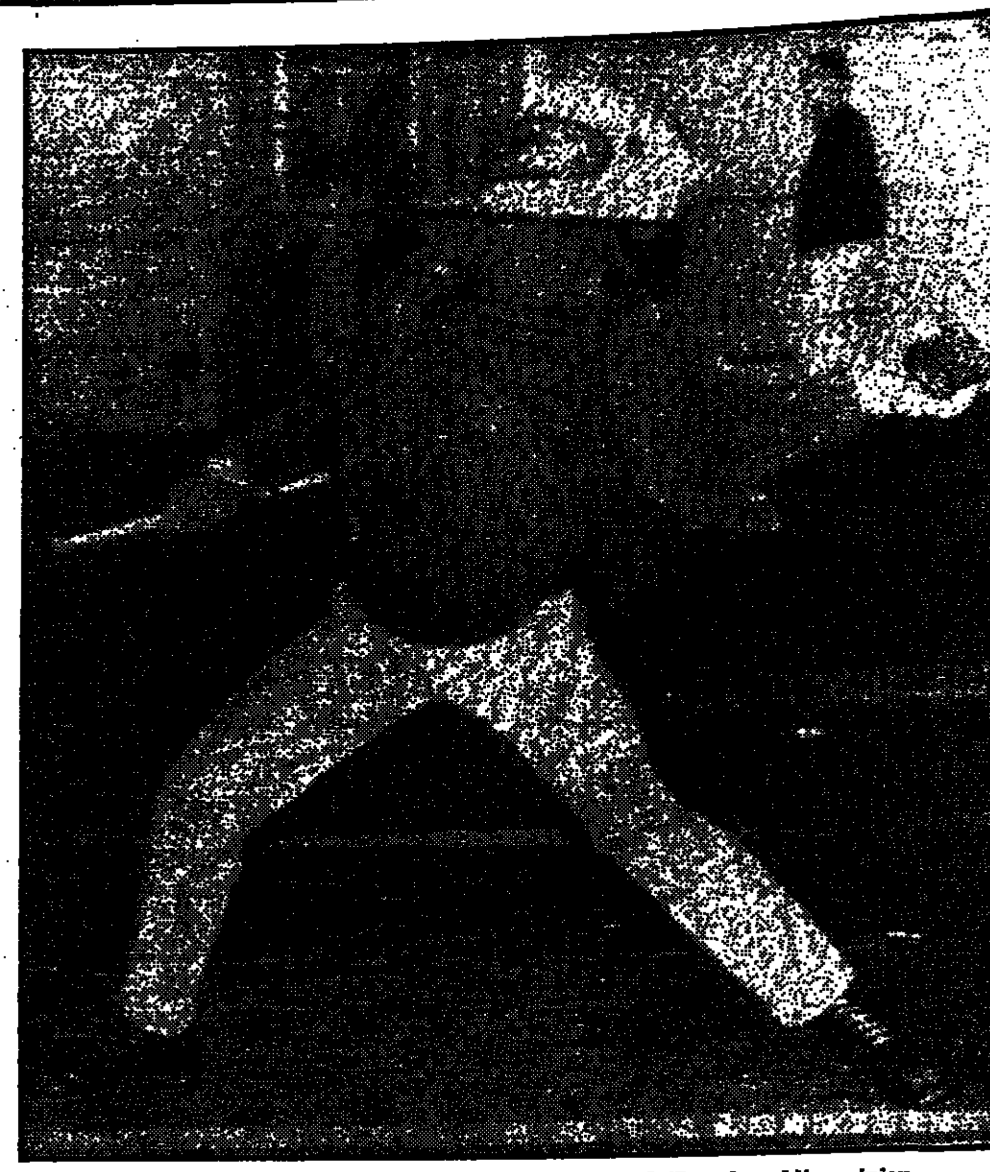
It is not clear whether this is the way that the ruling will work out in practice. The suggestion is that the court will intervene only if the panel acts unfairly—an idea which Sir John hopes is unthinkable. Yet the panel often has to make a black or white decision about issues which are very much in a grey area. When large sums of money are at stake, aggrieved parties will be more likely in future to attempt action through the courts—at least until the guidelines set out by Sir John have been thoroughly tested.

Moreover, some of the panel's greatest rulings have actually been extremely unfair—such as its decision that Adepton should provide a full cash alternative half way through its offer for Williams Hudson back in 1971. But there is probably no point in regretting those innocent days when the spirit of the Takeover Code mattered more than the letter. In today's much more abrasive climate, the Appeal Court judgment should be welcomed as a constructive development.

French Universities

A succession of blunders by government

By David Housego in Paris



The death of a student at the weekend has jolted French public opinion

THE DEATH of a French student of Algerian origin over the weekend as a result of police violence, and the decision of student leaders to bring France's trades unions into their campaign against university reform, has dramatically changed the political horizon for Mr Jacques Chirac, the French Prime Minister.

"We have now entered a situation in which nobody can predict the outcome," says Mr Andre Bergeron, the leader of the centrist Force Ouvriere union, an acute and long-time observer of the French scene.

French public opinion has been badly jolted by the death of Malik Oussekine, by all accounts a timid young man who steered clear of militancy, coming in the wake of serious injuries to two other students who lost an eye and an arm respectively, after riot police charged on demonstrators last Thursday.

Commentators have been quick to draw parallels with May 1968. But they point out that the tact with which police handled the mammoth demonstrations of that era meant that not a single person died.

The immediate effect of the sudden change of climate from the almost carnival-like processions of last week has been to eclipse the substantial concessions made by Mr Rene Monory, the Minister of Education. His televised announcement that the Government was prepared to abandon the three sections in proposed new legislation for the universities which have drawn most fire from the students—an increase in admission charges, more selective entry procedures and the introduction of national diplomas which are differentiated according to individual institutions—represented a major climbdown for the Government.

Unlike in May 1968, the students are not stirred by utopian dreams

It has given the student movement fresh momentum. The students have won the sympathy of many parents exacerbated by the Government's handling of the issue and impressed by the calm and non-violence of the students' protest. They have also gained the support of the trades unions and the opposition, Socialists who had last week kept their distance because of the avowedly apolitical stance of the students. The consequences of these new alignments are still uncertain.

The weekend's events have caused further strains within Mr Chirac's coalition, where the centrist UDF members have long been unhappy with the high-handed police methods of Mr Charles Pacqua, the Minister of the Interior. Indicative of this unease was the stiff criticism of the Government over the weekend from Mr Raymond Barre, the former Prime Minister and a rival to Mr Chirac for the Presidency.

But above all, the police violence and demonstrations have provided President Mitterrand with an unhoped for opportunity to emerge from the shadows and project himself as a national conciliator. He warned yesterday that he could not stand aside when national cohesion was in danger — thus making clear his intention to exploit Mr Chirac's discomfort and inevitably casting doubts on the long-term future of Mr Chirac's regime.

As events have unrolled over the past 10 days, it has seemed almost beyond belief that a Government which was so sure-footed in its first seven months of power could have made such a succession of blunders. The mistakes have tumbled hot foot after each other: Mr Chirac's failure to offer a week ago the concessions that the government made on Friday; the encouragement given to Thursday's demonstration by Mr Alain Devaquet, the Universities Minister (since resigned), who said that government policy would be determined by the size of the protest; and Mr Monory's blunt "no" to the students on Thursday which helped trigger the violence.

What has amazed as well has been the speed with which the student fire caught and spread. Mr Michael Rocard, the Socialist leader, claims that he saw it coming as Mr Chirao's administration increasingly lost touch with youth. But most university teachers admit they were caught off balance.

Unlike May 1968, the students are not stirred by Utopian dreams of a new society. Their preoccupations are with getting a place at university, passing their exams and getting a job. Many university teachers have said how they profess to be struck at the depth of students' worries over their work, their examination results and the difficulty of finding a job.

Their discontent has risen against the background of a university system that is cracking at the seams. "Education has been the great failure of the fifth republic," said Serge July, the editor of Liberation in an editorial on Saturday.

French higher education falls into two distinct compartments.

The French university system has begun to creak at the seams

For the rigorously selected 96,000 students who have places in the so-called Grandes Écoles there are few problems once they have got past the door.

These prestigious institutions—ranging from the Ecole Nationale d'Administration (ENA) to private management schools—are well equipped and can virtually guarantee graduates a job. But they keep student numbers down to maintain their "elite status" as training grounds for administration or industry.

The universities are a poor second cousin offering places to all those who get through the secondary school leaving examination—the baccalaureat. They have a current enrolment of 985,000, a third in the Paris region. Most can no longer cope.

Student numbers, which quadrupled between 1960 and 1980, have grown by a further 200,000 over the past six years. In the latter period, state spending per student on the universities has dropped from an average FFr 14,450 in 1980 to FFr 13,100 in 1985. Most dramatic of all has been the fall in investment on buildings and equipment—which accounts for the squalor at for instance the Jussieu and Censer campuses in Paris which have been at the centre of the agitation.

The result is that the universities (particularly in Paris) are overcrowded, provide inadequate teaching conditions and have a heavy drop-out rate.

In his broadcast a week ago, Mr Chirac said that one in two students failed to finish his degree and one in three graduates failed to get a job—figures that have been strongly contested but show the measure of the problem.

To this increasingly difficult situation, each Government has tried to bring its own response. Mr Alain Savary, the former Socialist Minister of Education, brought in a law in 1983 intended to provide a broader education in the first two years of university—to allow those less advanced to catch up—and one more vocationally oriented.

By contrast the so-called Devaquet law which sparked the recent protests was animated by a philosophy that went in the opposite direction. This philosophy calls for more selection on entry (to give universities more control over who they accept); an increase in admission fees (to make them more self financing and autonomous); and the right for institutions to award their own diplomas (to make them more competitive).

In practice, the bill that the Universities Minister put before the Assembly took only modest steps towards implementing this philosophy.

Nonetheless as the students saw it, the proposed new selection procedures would have made it more difficult to get in to the courses of their choice (and those with the best job prospects): higher entry fees would have penalised poorer families; and degrees awarded on a local rather than national basis would have severely reduced the value of diplomas from some universities.

Thus the students took their stand on the platform of open access to universities and equal chances for all, irrespective of financial means. "Universities are not businesses governed by competition," said one speaker at a student assembly last week. Miss Isabelle Thomas, who has emerged as one of the student leaders, argues that more places should be provided because the country needs more educated people.

It is not difficult to see that this moral, somewhat naive and humanistic outlook, easily comes into confrontation with government policy over other issues—such as the new tougher measures against drug abuse or the tightening of the immigration laws. Many of those who are most active in the student movement have also taken part in the campaign against racial discrimination organised by SOS Racisme — one of the few protest movements to have rallied massive youth support in France in recent years.

Mr Chirac may be forced to concede that demonstrations can dictate the law

Both students and teachers bemoan the continuing upheavals within the universities brought about by the itch of each new government to bring changes through legislation. Montaigne warned in a dictum remembered in the universities, but forgotten by French governments in their policies over education, that "you channot change habits through the law." One French commentator went so far recently as to propose a constitutional amendment that would postpone the application of any new education law until five years after it had been passed.

Secondary school students have joined in the movement because they share the worries of those at university. They also have their own fears about changes in the secondary school system proposed by Mr Monroy. But in one of those further blunders now difficult to credit, the Government had recently alienated lycee heads and their senior staff by a series of organisational changes imposed without consultation. Thus secondary teachers who might have imposed a restraining hand on their pupils over the last ten days were in no mood to do so.

With the university legislation now truncated, the government is proposing a fresh consultation over the future of the universities, along with more places and more funds. But in the present atmosphere it will be difficult to get this off the ground.

In political terms it is too early to say how much Mr Chirac's popularity will suffer long term damage. If he starts to slide in the public opinion polls, there could be a temptation for President Mitterrand to call an early Presidential election, before that due in 1988. But before that Mr Chirac will undoubtedly make a bid to regain the initiative. It may be that he can only do so by a total withdrawal of the universities reform bill thus ceding on the one point to which he has clung hard so far—that demonstrations on the street cannot dictate the law.

Men and Matters

Swid hears sound of music

STEPHEN SWID, who caused a monumental stir in the London auctioneering world three years ago by bidding for Sotheby's, has now switched to another art form.

With two new partners, he has just acquired CBS Music publishing for £125m, the preliminary move, he says, in a bid to build "one of the world's largest entertainment companies."

As a result of the purchase Swid, aged 46, is leaving General Felt, the New York-based mini-conglomerate he built up with Marshall Cogan his associate in the Sotheby's battle, to devote himself full-time to music publishing.

An investment analyst turned dealmaker, he is now clearly intent upon further acquisions, although he and his partners, Charles Koppelman and Martin Bandier, two men who have spent their careers in the music publishing world, believe that there is currently a great deal of scope in the business for organic growth as well.

In CBS Music they have acquired one of the three big names in the music publishing industry, ranking alongside EMI and Chappell. Their catalogue includes such all-time favourites as the scores from Singin' in the Rain, Somewhere Over the Rainbow, Gone with the Wind, and the James Bond films. They also manage some of the Beatles songs, and their international scale of operations give them the ability to administer songs anywhere in the world.

Swid's reputation for being able to spot a good investment is reinforced by the Sotheby's episode, even though he and Cogan eventually lost their battle. At that time, many investors questioned the wisdom of trying to move into fine art at a time when the prospect of falling inflation was supposed to make collections less valuable. That theory has now been blown sky high, as reflected in recent auction prices.

At CBS the immediate prospect for expansion lies in compact discs. Revenue growth over the last year has amounted to 27 per cent, with the main part of the upswing attributable to a wholesale switch from standard to compact disc. "We expect this trend to go on for another four years," says Swid, happily.

Work suspended

The ramifications of the MI5 spy case in Australia stretch far, even to Wales.

My mole tells me that when Nicholas Edwards, the Welsh secretary, launched the Cardiff Bay development corporation last Friday he confidently expected to be able to name the chairman.

But all such appointments have to go to 10 Downing Street through the Cabinet Secretary. And Sir Robert Armstrong, as we all know, has had his hands full with other matters these past few weeks.

Expect an announcement in the New Year, I am told — or when the court in Sydney completes its hearings.

Civil words

Blue-collarism is threatening to make new inroads into the elite higher ranks of the civil service.

This week, the First Division Association, the union representing higher civil servants (one of its ex-members is Sir Robert Armstrong, Cabinet Secretary, who might have found use for its services in his sojourn in Australia), meets in conclave in London to ponder a series of rule changes.

One of the most anguished decisions will be what to call the union members who chair sub-committees of its governing executive committee. Currently, they are known as "chairman" and "vice-chairman," but objections of sexism have been raised.

Disdainful of the odd nomenclature of "chair," so favoured by Labout Party committees, the FDA is facing a suggestion from its members in Northern Ireland that it should adopt the terms "convenor" and "deputy convenor" — titles often bestowed on the most senior blue-collar shop stewards in industry.

Building hopes

Jim Birrell will be as close as an aspiring career building society man can hope to be to the top job in the Halifax when he gets into his office today.

Birrell, aged 53, is taking over as director for operations from Calum Macaskill, who has just retired. He will be in charge of the day-to-day running of the society and will be effectively the number two. He will be in a strong position to make a pitch for the top job when John Spalding, the chief executive, aged 62, retires in about two years time.

However, Birrell could face competition. Both Nigel Watson, the administration director, and Richard Wheway, the finance director, are also being mentioned as possible future chief executives.

At the present time Birrell seems to be the strongest candidate among the three. Watson, aged 62, is near retirement. And it has been suggested that Wheway might become chairman of the society when Richard Hornby, aged 64, retires.

Birrell, an accountant, joined the Halifax in 1968 after working for two accountancy firms, Price Waterhouse and John Gladstone.

Long shot

One of the more pleasant duties assigned to Price Waterhouse partner Chris Bull is to play a lot of golf.

That is because he is responsible for the firm's Japanese business in Britain—and the Japanese sensibly see the golf course as an annexe to the board-room.

Bull was labouring away at his duties on the golf course last weekend and, naturally, both he and his partner were playing with golf balls stamped with the accountants' logo.

They lost one ball in the rough and, after a fruitless search, carried on with the game.

The following Monday morning when Bull joined his fellow commuters at Fleet, Hampshire, for the train to town, one of them extracted the ball from his briefcase with a grin and remarked: "I expect you've been looking for this."

Observer

POLITICS TODAY FROM VIENNA

Not as bad as it looks

By Malcolm Rutherford

THE TERM "masochism" comes from an Austrian novelist called Leopold von Sacher-Masoch (1836-95). There is a lot of it about in Vienna today, as the Austrians themselves are the first to admit. True to the term, they seem to be rather enjoying it.

Austria has been through a bad patch—there is no doubt about that—and is not out of the woods yet. But, come the new year and the formation of a new government, the country could be off in fresh and more self-confident directions.

The big changes are likely to be a recognition that Austria is pre-eminently a West European state or its future is bleak, and that something must be done about the nationalised industries—possibly even privatisation.

Austrians say that they are worried about their country's image abroad, and there has been a series of scandals: the wine scandal last year, for example, in which standards were found to have been adulterated. That hurt Austria much more than a similar scandal in Italy.

There has also been the case of Dr Kurt Waldheim, the former Secretary-General of the United Nations, who was accused of a Nazi past while campaigning for the Austrian Presidency in the early summer. On top of that, the Freedom Party, led by a young demagogue called Mr Jeorg Haider, won nearly 10 per cent of the vote in the general election last month. There is considerable debate over whether Mr Haider can be described as a democrat.

The Waldheim case is much the most serious. It is not that there is much evidence that he was guilty. Most Austrians of his generation acknowledge that it was almost impossible for an educated young Austrian in the late 1930s and early 1940s to avoid being caught up with the Nazis in one way or another. It is just that he has handled the allegations badly and continues to do so.

At the UN Dr Waldheim was a proud, rather vain man. Today he is visibly chastened and on the defensive. The bulk of the accusations against him came from abroad, not from home, so he won the Presidential election easily enough. But an Austrian President is meant to travel, to represent his country around the world and to receive visiting foreign statesmen in Vienna. There is not going to be very much of that for the time being, although, having talked to him last week, I am left in no doubt that he is determined to see out his six year term.

It would be much better if he were to make an open address to the Austrian people or to some suitable international audience about what it was like growing up in Austria in that period. But he seems set on point-by-point refutations which only prolong the agony. He is about to issue some sort of White Paper which, if the draft is anything to go by, will hardly lay matters to rest. He is a very isolated President from the start.

Still, Dr Waldheim is essentially a sideshow, and Mr Haider even more so. There is always a protest vote in Austria. Mr Haider won nearly 10 per cent of it, some of it coming from the other protest party, the Greens. He is about as likely to take over Austria as Mr Le Pen, who sent him a congratulatory telegram, is about to take over France. The Austrians enjoy all this; it is not the main story.

The main story is about what happens when a President, Chancellor or Prime Minister stays too long. (De Gaulle, Adenauer and Churchill could all be cited as examples). Dr Bruno Kreisky was Austrian Chancellor from 1970 to 1983, having already played a prominent part in Austrian politics in the two previous decades. He won five successive general elections, the middle three of them with a vote of over 50 per cent for his Socialist Party.

His reign was in many ways a brilliant success. There are several terms to describe his economic policy: Austro-Keynesianism, the Austrian Way or the AVSM, which stands for the Austrian Variant of the Scandinavian Model. By any standards, Austria had a record of high economic growth—excelled only by Japan in the OECD area—low unemployment, low inflation—a hard currency—because the schilling is kept close to the D-mark—and virtually no strikes. It is said that in Austria strikes are counted in seconds rather than in days lost per month.

There was also a high foreign policy profile. Dr Kreisky redeveloped the concept of

Chancellor Franz Vranitsky: a young Helmut Schmidt

Mitteleuropa or central Europe, in which Austria was to play a key role between East and West. He was no less active in the Middle East where he sided with the Palestinians. The Israelis, incidentally, saw Dr Waldheim at the UN and Chancellor Kreisky in Vienna as two sides of the same Austrian coin, both pro-Arab, which helps to explain quite a lot of what has happened since.

Anyway, for a time Austria had a place, disproportionate to its weight, on the international stage, as well as winning prizes for economic performance and social harmony. The country began to come down to earth when the Socialists lost their overall majority in the general election of 1983, Dr Kreisky resigned, and the party was obliged to go into coalition with the Freedom Party (before the rise of Mr Haider) in order to remain in office. It was widely assumed until the middle of this year that the People's (or Conservative) Party would take over at the next election, since it was held that Socialism had had a good run for its money and become a spent force.

Then came the great surprise. Almost everyone misread the result of the Presidential election in June. Dr Waldheim, supported by the People's Party, duly won, and the outcome was seen as a defeat for the Socialists in general. However, Dr Fred Sinowatz, who had succeeded Dr Kreisky as Chancellor, immediately resigned and gave way to Dr Franz Vranitsky — a Socialist in an altogether more modern mould. The Socialists came back in the general election last month as the largest party, though without an overall majority, and are now seeking to form a grand coalition with the People's Party.

There is nothing unhealthy about this. Indeed, quite the worst thing that could happen would be for the People's Party to be tempted to go and form a small coalition with Mr Haider's Freedom Party, which is numerically possible but would scarcely contribute to the image of Austria as politically stable. In all probability, the grand coalition will come about early in January.

What has happened is that Dr Vranitsky has stolen some of the People's Party clothes. He, too, realised that Chancellor Kreisky stayed too long and failed to adapt not only to the changes going on within Austrian opinion, but also to the changes outside Austria. In business circles he is described as a "young Helmut Schmidt," the West German Socialist Chancellor of whom the German business community said: "He is the best Christian Democrat Chancellor we have."

The problem facing Austria is how to enter the mainstream of west European affairs, for that is where the majority of its leaders now see that it belongs. There is an economic problem and a foreign policy problem, though they are related.

Dr Kreisky when he was Chancellor said in 1979: "I am less worried by the budget deficits than by the need for the state to create jobs where private industry fails." He is now widely regarded, even by Socialists, as having carried that view too far. The current net budget deficit — just over 5 per cent of gross domestic product — is not stunning, but will become worrying if there is not a firm government to attend to it.

The other worry is the nationalised industries which in the past were kept in being without sufficient restructuring because it was almost impossible to dismiss labour without providing alternative jobs. They used to make money. In the early 1980s many of them ceased to do so. At first it was assumed that the state would make up the losses with subsidies. Such an approach is now going out of the window.

Dr Hugo Michael Sekyra, formerly of the private sector, was installed in the autumn as the new Director-General of Oiag, the holding company for most of the state industries. He is currently head-hunting for managers at internationally competitive salaries. The aim is that the companies overall will make a profit within five years and be privatised within ten years.

Inevitably there will be redundancies among the holding company's 100,000 employees. Dr Sekyra stresses that Dr Vranitzky must be the guarantee. Without him, he says, it will not be possible to stand up to the pressures from the trade unions and the other politicians.

The foreign policy problems stem partly from the way Dr Kreisky led Austria up the East-West and Middle East path and partly from developments within the European Community. "*Mitteleuropa*" has become a term of some contempt in Vienna, even though it is admitted that every good Austrian still has a grandmother in Prague and the special relationship with Hungary will be pursued. The idea that Austria can make much of a contribution to solving the questions of the Middle East is now dismissed as pretentious.

Yet it is the changes in Western Europe that have done most to alter the outlook. If there was one single event that woke Austria up, it was the French decision in September to introduce visas for those who are not citizens of the European Community. The Austrians thought that it was an affront that they should be so excluded from the European family.

They are fearful of isolation in other ways: the completion of the internal market, for instance, and the possibility that by 1990 both Sweden and Norway might be seeking to become full members.

In short, Austrians have been re-examining their post-war past. Neither nationalisation nor neutrality is part of their natural way of life. The nationalised industries were imposed on them as part of the post-war settlement, not out of ideology. Neutrality was the price paid for the State Treaty of 1955. They are not addicted to it in the way of the Swiss. The neutrality will remain, of course, but the country will seek to find ways of coming as close to the European family as possible.

None of the problems are as bad as the people say they are. But it would help to have a big coalition to resolve them.

Lombard

Party politics and the other Italy

By John Wyles in Rome

SOME LEARNED sage once described the French Fourth Republic's National Assembly as "a house without windows." He partly attributed its eventual nemesis to the fact that the political parties were obsessed with their own power struggles to the exclusion of almost everything else, including, somewhat crucially, French public opinion.

While not for a moment predicting the demise of the First Italian Republic, it does seem to the outsider that the Italian party system has become a similarly enclosed political order. It also seems so to many insiders, from the editor of La Repubblica, Mr Eugenio Scalferi, to most of the party leaders themselves. With hand-wringing contrition they openly acknowledge their distance from the people. Unfortunately their reluctance to reform themselves and the institutions for which they are responsible tends to confirm that the inter- and intra-party political game has taken on a dangerous life of its own.

The result is the phenomenon of "two Italys." One is entrepreneurial, creative, respectably hard working, a prudent saver and frequently alienated when it encounters the state, the other Italy as mediated by the politicians. Lurching from one party manufactured crisis to another, it indulges a voracious appetite for close to half the taxable earnings of working Italy and is willing to pay a substantial premium above inflation to get its hands on the savings as well.

These resources are devoted to broadly similar purposes as elsewhere in Western Europe, and often in larger per capita quantities, such as health and welfare, defence, industrial development and help for the backward regions.

Unhappily, the results give less satisfaction because in everything from health provision to tax collection the Italian state is miserably less efficient than its counterparts to the north.

Since they have delivered far fewer reforms than they have promised, the parties ought not to be too surprised if the worm, in this case the Italian people, starts to turn. Most politicians were taken aback when around 30,000 people tramped the streets on a wet Sunday in Turin a couple of weekends ago to protest at the current tax burden and the desperate quality of many public services.

Of the established parties, only the Liberals and the Neo-Fascists took part. At first the others poured an exceptional amount of opprobrium on the organisers, as if organising a march without a party imprimatur was an undemocratic act. Belatedly, the Socialists and the Christian Democrats, who smell new votes or a threat to existing votes as keenly as hogs smell truffles, have begun to realise that maybe the Italian middle classes are stirring.

It ought not to be too surprising if they are. There is no reason why Italy should be immune from the neo-liberalism and fiscal conservatism which is giving centre-right governments such a lengthy hold on power to the north. The problem in Italy, which is ultimately dangerous for its democratic system, is the real difficulty all of the parties have in translating demands for cheaper and less pervasive government into coherent policies.

Thus the public sector deficit still stands at 14 per cent of gross domestic product and cutting back on the 3.5m employees in the public sector, for example, would mean a painful and perhaps impossible confrontation with sources of support and patronage from which the Communist Party might gain a great deal.

As is widely recognised in Italy, the presence of such a strong communist party is impeding the modernisation of the Italian state. While it is unacceptable to 60 per cent of the nation as an alternative government, the solidity of both its support and the opposition to it is, nonetheless, heavily responsible for the tedious stability of Italian voting behaviour.

But would a middle class revolt have electoral consequences in Italy? Without a response from the parties, it could at the very least mean greater disillusion with the system and many more spoiled ballot papers.

Letters to the Editor

Natal option still open

From the South African Ambassador

Sir, — For some time this embassy has felt that FT editorials on South Africa have been less than fair and objective. But if we needed any proof, you provided it with your leader "Unwise rebuff for the Natal option" (December 5).

The South African Government has not rejected the Kwa/Natal proposals announced last weekend. This is a factual question and not a matter of opinion. The embassy's statement of Wednesday (to which you allude) is very clear on the point.

You say that a statement by the South African Ambassador in London does not carry the same weight as one by the Minister of Home Affairs. That is so. However, what you conveniently ignored is that I was not speaking on my own authority but on that of Mr Chris Heunis, the Minister of Constitutional Development and Planning, who has primary responsibility in these matters. He has said that, after the proposals have been received by the Government, they will be considered very carefully before any official position is adopted. That was the main point which our statement on Wednesday made — something which you ignored to write your editorial. I think that is deplorable.

Not only has the South African Government not rejected the proposals, but it recognises their importance. While their detailed implications have yet to be considered, the scheme of government suggested for the Kwa/Natal region is not the product of a theoretical or academic exercise but of a major negotiating process involving a very impressive cross-section of representative bodies in that part of the country.

It is a demonstration of the fact that non-racial answers can be worked out by way of peaceful negotiations — especially with skilled leadership and goodwill. And contrary to your editorial, the South African Government also recognises that this is an initiative of great importance to black leaders in general who are committed to non-violent change and to Chief Minister Buthelezi in particular.

These things are understood by the South African Government. Your editorial, in suggesting otherwise, is irresponsible and unworthy of your newspaper.

Dr Denis Worrall,
South African Embassy,
Trafalgar Square, WC2

Fool's paradise on jobs

From the Chief UK Economist, Goldman Sachs

Sir,—I would like to comment on the regional pay issue considered by Samuel Brittan on December 4. In the speech to which Mr Brittan refers, I was not in fact particularly critical of the Chancellor's recent emphasis on the inefficiences of the national pay bargaining system, since I accept the case for greater differences in labour costs among the regions. But I stand by two comments I made about this.

First, I cannot see the point of simply lecturing NEDC meetings about this problem. Wage leadership from the South-East to the regions appears so robust in econometric relations that it will not be tackled by admonition from the Chancellor or the Financial Times. Second, it is in the Chancellor's power (EEC permitting) to produce greater variations in regional labour costs by varying the rates of employers' national insurance contribution between the South-East and the rest of the country. He could also, as Richard Layard suggests, introduce a new marginal subsidy for employers who create extra jobs in the regions. These measures would have a more immediate impact on unemployment than NEDC lectures, or fiscal incentives for profit sharing (which I wholeheartedly support, incidentally).

Finally, I continue to be concerned about the social and demand effects of cutting pay in the regions, though I accept what Mr Brittan says about the possibility of offsetting these effects through fiscal means.

Gavyn Davies.
5, Old Bailey, EC4

Melodic pastiche at the Garden

From Mr N. P. Stanley

Sir, — As a member of the audience, I cannot reconcile my experience of the ballet "Beauty and the Beast" with the one your critic describes (December 3).

Perhaps there is a doppelgänger Covent Gardent where a different ballet of the same name was being performed.

Clement Crisp calls the music saccharine and compares it with Ketelbey. He may be an authority on choreography but is certainly lacking in musical knowledge since the Vangelis score is vigorous, inventive and strongly melodic. It is, of course, pastiche.

If comparisons are to be made, it is essentially 18th century pastiche dressed up in modern electronic trappings; but none the worse for that.

Establishment critics do not like pastiche, a prejudice against which the music of Poulenc is still struggling.

The audience was deeply appreciative. However, your critic is influential. It would be a pity if, because of his article, the production was to be withdrawn.

Mr Crisp would then be in the position of eating his pot of honey on a grave.

Neil Stanley.
1 Ranmoor Crescent, Sheffield.

BTR's bid for Pilkington

From Mr E. Andrews

Sir—As a person who knows St Helens fairly well, I found the article "The view from Glasstown" (November 26) by your Northern Correspondent very fair. The same could not be said of the offer document received from BTR.

It is easy to suggest that Pilkington should not have licensed the float process to others in the manner in which it did, but to do so without regard to what the views, technological and market strengths of its main overseas competitors were at the time is highly misleading. Equally, some advisers would argue that the licensing of a process is in the best interests of the developer. The fact that Pilkington chose this route places it in the company of many successful and highly regarded international firms.

Sir Owen Green asks if the licence fees have been high enough (without detailed knowledge of the circumstances surrounding the negotiations no one but the parties concerned can form a proper judgment). It cannot be denied that these fees have provided Pilkington with a considerable income and allowed it to be the international company that it now is. I doubt whether the financial institutions and shareholders would have borne with the company had the high capital investment route suggested by BTR been followed, even if it had been possible.

When it comes to the speed of reaction to overcapacity in the European glass industry, surely one could consider whether Pilkington's response was any different from that of its competitors or whether its UK position dictated a different response. Taking into account the uncertain market for glass and many related products in the early 1980s, my judgment is that the response was reasonable.

By what yardsticks is Sir Owen judging Pilkington's greater presence in the US as being so very late? Is he suggesting that parties in that country have been waiting open-armed or begging them to do what they have recently done? Is he also inferring that Pilkington has not been trying for some years to do this? Will he perhaps acknowledge that such steps do not only depend upon the wishes of one party?

There are probably many other non-Pilkington people engaged in the insulation and energy business who could explain why all insulation product sales and margins dropped through the floor after a period when the UK industry had been persuaded to expand. Inquiries in appropriate Whitehall departments would no doubt provide the answer. Nevertheless, the offer document asks why Pilkington took so long to take action in response to the ensuing problems in its glass-fibre division. A fair question, but without other information it becomes nonsensical.

Some, more relevant, questions could be put to Sir Owen. Can he acknowledge that others were caught in the same trap as Pilkington Insulation? Does he recognise the fact that neither the extent of the market downturn nor its span was foreseen by many competitors of Pilkington? Will he accept that the purchase of the Cape insulation facilities and the rationalisation programme carried out to date do display an awareness of the problems or would he have done better?

I would not for one minute claim that all that Pilkington has done is perfect. But we in the north do appreciate having one company which has stayed with its roots and has not been tempted to move its headquarters and much else to the south.

As to BTR, can one not imagine that in years to come it may go the same way as Tilling, composed as it was of such supposedly related products as lime, sand, mortar, and cars. How much of the turnround at Dunlop has been due to Michael Edwardes's decision to single source car wheel supply? Would it have been so dramatic if Rubery Owen had been allowed to stay in the business? There is no comparison, in my view, between the state of either Tilling or Dunlop and Pilkington and therefore I cannot see there being the same scope for BTR's skills even if the latter's team could cope with its greater empire. Perhaps it could. But it cannot apparently produce an offer document which is other than superficial in its treatment of the many factors which have to be considered in this matter.

E. S. Andrews,
Charles Andrews and Sons,
66 Brooklands Road,
Sale, Cheshire.

FINANCIAL TIMES

Monday December 8 1986

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Roderick Oram visits Boca Raton

Spectre of Boesky in Florida

UNTIL the hotel became a convent, the Securities Industry Association returned year after year to the same resort north of Miami for its annual meeting in Florida's warm winter sunshine.

The search for another salubrious spot eventually brought investment bankers and dealers to a flamingo pink quasi-Spanish 1920s extravaganza a little farther up the Atlanta coast. First called the Cloister Inn, it is now named the Boca Raton Hotel and Club.

Sixteenth century Spanish explorers named the area Boca Raton, mouth of the mouse, for its physical properties. Today's town of luxurious hotels, manicured golf courses, millionaires' homes and chic boutiques bears no signs of its inauspicious origins 60 years ago in a fetid mangrove swamp. Excesses of the Mizner brothers, the first developers of the resort hotel and town, gave the place the pre-war nickname Beaucoup Rotten.

Concern that the recent excesses of Ivan Boesky and other insider traders had damned or at very least dented the reputation of the securities industry ran through last week's SIA annual meeting at Boca Raton.

Reassurance that any negative response from the scandal-shocked public or politicians will be only temporary was offered by many speakers. Mr John Shad, chairman of the securities and Exchange Commission, the industry's Washington watchdog, urged Congress not to overeact by proposing more restrictions – very few of which anyway were likely to become law, he predicted.

He expressed his confidence in the existing systems' ability to detect and root out rotten elements. Just to be on the safe side, though, he is going to ask Congress for a large budget increase to beef up his police force.

"I don't see Boesky as a reason to go into a shell," said Mr James Robinson, chairman of American Express. Wrongdoing was confined "to just a few who betrayed the system" and bore no resemblance to the great Wall Street scandals of the 1920s and 1930s

While the soothing words were welcome, the topic was nonetheless an unpleasant intrusion into the celebration of a prosperous year past and of greater rewards to come. The Dow Jones industrial average, which obligingly set a record of 1,955 the afternoon the delegates arrived in lotus-land, was heading for 3,000, several pundits predicted from the podium. They argued that such a level would only restore stocks to the same relative value they enjoyed when 1,000 was first breached in 1966.

The displacement of individual investors by institutions was a myth, SIA officials said. Individuals accounted for 30 per cent of volume on the New York Stock Exchange, 50 per cent on the American Stock Exchange and the bulk of the over-the-counter market.

Moreover, disinflation, tax reform and an accelerating switch from consumption to saving by middle-aged, middle class families was bringing even more investors to the markets.

With all this to look forward to, the industry was poised for even greater prosperity. In the first nine months of this year its profits had already surpassed the record $4.1bn earned in all of 1985.

The rewards were available to all firms, not just the top 10 which accounted for half the industry's $32bn of capital. Brains, talent and diligence, not huge masses of capital, determined success, regional brokers were told. As a group, their pre-tax return on equity was 40.7 per cent this year against an industry average of 30.9 per cent.

To this upbeat message, however, was added a cautionary note by contrarians who believed that when everyone else is agreed on one scenario the absolute opposite will occur. When the world buys, they sell.

In a less pessimistic but more realistic vein, leaders of several of the largest securities firms reminded delegates that theirs was a highly cyclical industry. Mr Frederick Joseph, chief executive of Drexel Burnham Lambert was clearly relieved his firm had kept its fixed costs below 20 per cent of revenues and that it had decided against moving into a marble clad palace at the top of the market. With more on his mind than many of his peers, he handled with good grace and humour a barrage of questions about his firm's role in junk bonds and the Boesky investigation.

Rosy forecasts helped, but the delegates still left for home knowing they faced a challenge in the year until they meet again at Boca Raton. They must fight off attempts of some politicians and members of the public to force the industry to renounce wordly temptation and bring a monastic purity to Wall Street.

CGE faces dilemma over inherited stake in STC

BY DAVID THOMAS IN LONDON

CGE, the nationalised French electronics and engineering group, is considering what to do with the 24 per cent stake it is about to gain control of in STC, the UK electronics and computer group. Its options range from increasing the stake to selling it.

The shareholding is likely to come into the French group's hands because of the deal it has struck with ITT of the US, which is expected to be finalised soon.

CGE (Compagnie Generale d'Electricité) will take control of a joint venture grouping together the telecommunications assets of its own Alcatel subsidiary with ITT's worldwide telecommunications assets. Both CGE and STC are assuming that this joint venture will include ITT's 24 per cent stake in STC.

The three main options which CGE has been considering for the stake – *adding to it, selling it* or *keeping it* – all raise potential problems.

Adding to the stake would be expensive at a time when CGE will be concentrating on sorting out the many other strands of the ITT deal. It could also lead to political problems, since it would be tantamount to a takeover bid for STC, which is the parent of ICL, Britain's largest computer company.

Selling the stake, however, would probably cause problems for STC, which is just recovering after a restructuring programme launched last year.

STC expects CGE to hold on to the stake and use it in about a year's time to construct joint ventures with STC. Meanwhile it has told CGE that it does not want any CGE directors on its board. ITT has three non-executive members on STC's board.

But holding on to a large minority stake in STC on a passive basis does not fit in with CGE's medium term plans.

CGE is most interested in collaborating with STC in advanced telecommunications transmission, where it rates STC's work highly. The French group is anxious to reach a solution which does not offend British opinion, because it may wish to enter UK markets in force in the future. It wrote to STC almost two months ago asking for the British company's views on the best solution, but has not yet received a reply.

STC is at present seriously considering opportunities for joint ventures, but has no particular preference for collaboration with CGE.

STC is also concerned that competition should continue between itself and certain CGE operations. This particularly applies to STC's underwater cable operations, which will compete with the cable assets of CGE and ITT, also to be merged in the CGE-ITT deal.

For its part, CGE appears to be concerned about Fujitsu of Japan getting access to its technology through its joint venture with ICL on microchips.

Britain prepares renewed effort to reform EEC farm policy

BY TIM DICKSON IN BRUSSELS

BRITAIN is today expected to launch a major new push to win agreement for reform of the EEC's Common Agricultural Policy (CAP).

Mr Michael Jopling, the UK's Agriculture Minister, is apparently determined that his last meeting as chairman of the EEC Farm Council should be marked by significant actions to curb the Community's growing beef and dairy surpluses.

In particular, he is likely to propose significant cuts in milk quotas provided that other changes to the system being suggested by the European Commission are abandoned.

Farm Ministers in the last few months have shown little inclination to accept any of the radical proposals put forward by the Commission. These include a long standing plan to cut out the system of guaranteed purchases of unwanted beef and more recent ideas for limiting guaranteed purchases of butter and skimmed milk powder, cutting milk production, and tightening loopholes in the milk quota system.

The Commission is particularly alarmed by the drastic increase in dairy production and claims that the Community is currently producing 9.5m tonnes of butter which neither it nor its "third" country customers can consume.

Nothwithstanding the failure of Heads of Government to discuss the issue seriously over the weekend – no reference to CAP reform was included in the final communique after disagreement with the West German delegation – there is mild optimism in Brussels that significant progress may have been made last week by a special "high level" group of national farm experts.

Diplomats say that Mr Jopling will this week put forward a new plan for cuts in milk quotas, a more effective tax or superlevy on overproduction, and modest changes to the system of guaranteed EEC intervention buying. This package will be sweetened by promises of compensation for those farmers affected and a commitment not to tinker much with the current rules of the milk quota system, notably those that allow quotas to be transferred between regions in member states.

One diplomat in Brussels said last night: "It's completely open. It could go either way. I'm certainly more optimistic than I was a week ago."

If anything, Britain had been more hopeful of getting agreement this month on the Commission's proposals for reform of the beef sector. In spite of numerous attempts to find common ground at "expert" level in Brussels, no clear compromise has yet emerged with France apparently most hostile to radical change.

This week's meeting will also have to consider the unresolved requests by Britain and France for devaluations of their "green" currencies.

Tunnel placing saved by founders

BY ANDREW TAYLOR IN LONDON

THE STRUGGLE the Anglo-French channel tunnel consortium had in raising £206m ($295m) in an international share placing in October is underlined by a full list of companies, institutions and individuals who subscribed to the issue.

It shows that Eurotunnel would have fallen short of its target by at least £12m if the founding banking and construction shareholders had not decided to increase their stake in the venture.

Total purchases, either directly or indirectly by the founding shareholders, totalled more than £20m if shares acquired by Compagnie Financiere de Suez SA and Midland Bank are included. These two are parents of Banque Indosuez and Midland Equity (Projects) also founding shareholders.

It had been expected by Eurotunnel that the founding shareholders would not participate in the October issue.

Eurotunnel said yesterday that the decline in the value of the pound against the French franc prior to the placing meant that it had needed to raise more than originally envisaged. Also institutions, outside of Britain and France, had not raised as much as had been hoped.

It said that the decision by the founding shareholders, which had previously invested £46m to get the project underway, underlined their confidence in the venture.

A full list of shareholders that subscribed to the issue has been lodged with Companies House in Cardiff. This shows that the largest British shareholders are now the insurance groups Standard Life, Legal and General and Prudential, and the BP International oil group, each of which subscribed for between 2.3 per cent and 2.9 per cent of the 8.58m shares placed.

Several major French financial institutions are among the largest individual shareholders, Compagnie Financiere de Suez subscribed for almost 390,000 shares, representing 4.5 per cent. UAP group, France's largest insurance company, acquired 2.3 per cent.

Iran backs US hostages link

BY TONY WALKER IN CAIRO

A SENIOR Iranian official has said his country is prepared to continue using its influence to secure the release of American hostages in Lebanon in exchange for US-supplied weapons.

Ali Akbar Hashemi Rafsanjani, the powerful parliamentary speaker, in the first such statement indicating Iran wants to maintain its secret business links with the US, said Tehran is prepared to continue dealing with the US through middle-men.

Mr Rafsanjani's remarks, in an interview with the Iranian News Agency, IRNA, at the weekend, coincided with a surge in fighting in the Gulf war, now in its seventh year.

Iran, in retalistion for Iraqi air attacks on a power station deep inside its territory and the bombing of a garrison town near the border, fired a number of rockets at Basra, Iraq's main southern city.

Basra residents said they had been under heavy bombardment since early yesterday. Tehran Radio reported that Iran had fired three short-range missiles into Basra. It had also used its air force against five Iraqi towns.

The latest outbreak in fighting is alarming Gulf states. These states have been made particularly nervous in recent weeks by Iran's threats to extend the war to Iraq's supporters.

Iran is under pressure because Iraq's air strikes against key installations, such as the Kharg Island terminal, at the northern end of the Gulf, have been successful in reducing Iranian oil exports to below 1m barrels a day. There have been reports that Iran has been forced to import refined products from Saudi Arabia.

Alliance fears, Page 2; Links with US, Page 4

World Weather

		°C	°F
Ajaccio	C	12	54
Algiers	S	16	61
Amsterdam	C	3	37
Athens	S	16	61
Bahrain	C	17	63
Bangkok	S	31	88
Barcelona	F	12	54
Beirut	F	17	63
Belfast	F	8	46
Belgrade	Fg	-2	28
Berlin	C	0	32
Biarritz	F	17	63
Bombay	S	32	90
Bordeaux	S	16	61
Brussels	S	6	43
Budapest	C	-2	28
B. Aires	R	25	77
Cairo	S	20	68
Cape Town	S	26	79
Caracas	C	25	77
Casablanca	F	21	70
Chicago	R	2	36
Cologne	C	6	43
Copenhagen	F	7	45
Corfu	S	17	63
Dallas	—	—	—
Dublin	C	10	50
Dubrovnik	S	15	59
Edinburgh	C	9	48
Faro	C	17	63
Florence	D	9	48
Frankfurt	S	6	43
Funchal	S	20	68
Geneva	C	8	46
Gibraltar	C	16	61
Glasgow	R	8	46
Guernsey	C	11	52
Helsinki	S	-7	19
H. Kong	C	18	64
Innsbruck	S	5	41
Inverness	R	9	48
Islamabad	C	25	77
Istanbul	S	12	54
Jakarta	C	30	86
Jersey	C	12	54
Jo'burg	C	22	72
Lima	C	22	72
Lisbon	C	11	52
London	C	7	45
Los Angeles	S	11	52
Luxembourg	C	5	41
Madrid	F	9	48
Majorca	F	16	61
Malaga	F	17	63
Malta	S	16	61
Manchester	C	7	45
Manila	S	31	88
Melbourne	C	17	63
Mexico City	C	22	72
Miami	S	23	73
Milan	C	5	41
Montreal	S	-11	12
Moscow	Sn	-3	27
Munich	F	9	48
Nairobi	—	—	—
Naples	S	12	54
Nassau	C	26	79
New Delhi	S	19	66
New York	S	3	37
Nice	C	12	54
Nicosia	F	19	66
Oporto	C	16	61
Oslo	C	-1	30
Paris	C	8	46
Peking	S	6	43
Prague	S	8	46
Reykjavik	C	2	36
Rhodes	F	19	66
Rio de J'o	C	30	87
Rome	S	13	55
Salzburg	S	9	48
San Francisco	S	7	45
Seoul	S	3	37
Singapore	F	31	88
Stockholm	F	-5	23
Strasbourg	S	7	45
Sydney	R	26	79
Taipei	C	17	63
Tangier	F	19	66
Tel Aviv	S	21	70
Tenerife	S	23	73
Tokyo	S	17	63
Toronto	C	-5	23
Tunis	S	15	59
Valencia	F	13	55
Venice	C	5	41
Vienna	Fg	-2	28
Warsaw	C	2	36
Washington	S	-2	28
Zurich	F	6	43

Readings at mid-day yesterday:
C–Cloudy D–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

Reagan under new pressure

Continued from Page 1

blicans such as Senator Richard Lugar have called for their resignations.

Amid charges that by staying in office Mr Regan in particular, but also Mr Casey are weakening the President, Sen Laxalt strongly urged Mr Casey to stay. But he gave only a half-hearted endorsement to Mr Regan, saying that he had not yet come to the conclusion that he needed to resign in the interests of the Presidency.

Following Mr Reagan's radio address, Senator Robert Dole, Republican majority leader in the Congress welcomed the statement

Democrats, however, continued to attack the President.

Smith Barney to sue Goldsmith, Goodyear

By William Hall in New York

SMITH BARNEY, Harris Upham, the leading New York investment bank, has launched a $17m lawsuit against Sir James Goldsmith, the Anglo-French financier, and Goodyear Tire, claiming that they broke their promise not to engage in "greenmail" – a Wall Street term for the repurchase of an unwanted investor's recently acquired shares for a premium – during the recent $5.3bn takeover battle.

While lawsuits from individual investors are not uncommon following takeover battles, it is relatively unusual for a major Wall Street investment bank to take such action. Smith Barney's lawsuit underlines the growing outrage in the investment community about the use of greenmail by companies anxious to preserve their independence in the face of a threatened attack from a corporate predator.

Over the last month several large US companies including Gillette, USG, Federated Stores and CPC International have paid close to $2bn to buy back shares from corporate raiders. In all but one case the share prices of the greenmailed companies have fallen sharply in the aftermath and their shareholders have suffered heavy losses on their investments.

The Smith Barney lawsuit comes only a few days after General Motors was sued by a shareholder for buying back the shares of Mr Ross Perot, the Texas oil computer services billionaire, for over $700m, or roughly double the current market price. Several major institutional shareholders have said that they planned to challenge this version of greenmail, which has been christened "hushmail" because GM is trying to silence Mr Perot by buying back his GM shares at a significant premium above the market price.

Last month Goodyear Tire defeated an unwelcome $49 a share takeover offer from Sir James by agreeing to buy back his 11.5 per cent stake for $49.50 a share – a move that has incensed several major shareholders. Goodyear and Sir James had both given repeated assurances during the takeover battle that they would not pay or accept greenmail and both sides have insisted that Goodyear's $621m repurchase of Sir James' stake in the company does not constitute the payment of greenmail.

Goodyear justified its claim that it did not pay greenmail to Sir James by emphasising that it intends to buy back another 40m of its remaining 96.5m shares from its shareholders at $50 a share – a premium of 50 cents a share over the price received by Sir James. However, Smith Barney and its associates which spent $84.4m buying Goodyear shares at an average price of $47.20, argue since Goodyear is paying Sir James $37.6m in expenses, he is receiving the equivalent of $52.50 a share.

Since Sir James struck his deal on November 20, Goodyear's shares have languished. By the end of last week the company's shares were trading at $42¾ and Smith Barney was showing a loss of $8m on its investment.

Smith Barney says in its legal brief that Sir James Goldsmith made clear to investors that any possible sale of his group's shares would not be done as part of a greenmail transaction with Goodyear. Meanwhile, Goodyear "repeatedly stated" that it would not pay greenmail to Sir James or his General Oriental investor group.

"Such statements were known to be false when made or were made with a reckless disregard for the truth," says Smith Barney which notes that the payment of $52.50 per Goodyear share to Sir James was 25 per cent above the market price for Goodyear shares and was not made available to any other shareholders.

Perot departure, Page 20

French crisis deepens

Continued from Page 1

they marched from the University to the opera square.

Police said that the riot erupted suddenly after some 150 people gathered in front of the Goethe University, a few blocks away from the city centre. The number of rioters more than doubled as they marched through the fashionable residential and business areas of the city.

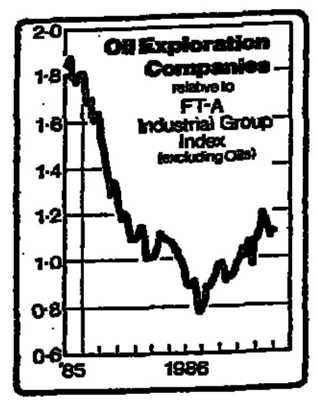
On their way, the rioters smashed the windows of at least 30 banks, causing damage worth several hundreds of thousands of D-Marks.

Police apparently arrived at the scene too late and reported no arrests.

THE LEX COLUMN

No accounting for tastes

Oil exploration stocks have been enjoying a sustained recovery from the trough of mid-summer. But some nasty shocks await the sector at the year-end. For it is then that the companies will at last be obliged to state what effect they believe the oil price collapse to have had on the value of their assets. And it is asset value, not profit and loss, on which their market rating stands or falls. Last week Trafalgar House gave a foretaste of gruesome things to come, since its financial year-end is three months earlier than the calendar year observed by the pure oil explorers. Trafalgar House's oil and gas subsidiary – only a few years old – threw up an extraordinary write-off of £56.8m.



It is Trafalgar's good fortune that a revision four months ago to SSAP 6 – the accounting standard which says what *is* or *is not* extraordinary – allows a "provision for a permanent diminution of non-current assets because of unusual developments" to be taken below the line. Otherwise Trafalgar's pre-tax profits might have been little more than half the stated figure of £146m.

Trafalgar, like most of the UK oil exploration companies, has used the so called "full cost" method of capitalising all its oil exploration costs on the understanding that they will be covered by the anticipated future revenues from discoveries. So when those discoveries are suddenly rendered uneconomic, the effect is like draining a pleasant looking pool to reveal a collection of alligators.

For pure oil explorers, without Trafalgar's diverse spread of interests, the consequences could be much more severe. But up until now there has been a danger – for shareholders – that the directors will use the discretion given to them by the Companies Act to understate the effect of $15 oil on their balance sheets. Under the act, if the directors are of the view – possibly through an optimistic assessment of future oil prices – that there has been no permanent diminution of the value of their assets, then no write-offs are required.

But that sort of escape route is now being effectively closed. This week a draft Statement of Recommended Practice will be circulated which will demand that oil companies must state in their report and accounts what the effect will be on their booked assets, and do so on the basis that the oil price prevailing at the year end date is permanent. In two ways the SORP is not as tough as the existing practice imposed by the SEC on US full-cost accounters. There, the future revenues generated at the year-end price must be discounted at 10 per cent a year. And whereas the SEC demands a balance-sheet adjustment, the proposed UK ruling calls only for a note to the accounts, the main body of which will still reflect the *subjective* views of the directors.

On the face of it, the lack of a requirement to discount future revenues – based on the view that the costs being carried have not been discounted – will *save* the UK oil explorers from a North Sea-sized bath. Trafalgar, as befits a company with a strong representation in the US, voluntarily followed the SEC rules. It seems that under the draft SORP Trafalgar's write-offs would have been about half those stated. But it does not follow that the proposed UK standard for full-cost accounters will invariably always be easier on the industry than the SEC rules. For a company with mature oil fields the most significant cost – abandonment – is yet to come.

Yet the problem for the exploration minnows is precisely that they are immature, and even if they have production, it tends to be from more recent developments, which have by no means paid for the front-end costs. For those companies which have used the more conservative successful efforts accounting method – under which exploration wells which have not produced oil are written off immediately – the situation is obviously less serious. In the US one large oil company had the cheek to change its accounting policy from full cost to successful efforts, so that it could simply restate all previous years' profits downwards by the extent of its sins. It appears that one of the UK independent oil companies is planning a similar ruse. A wicked world.

Commercial paper

Anyone who thinks the debt markets are staffed by cold calculating types making lending decisions purely on the basis of carefully assessed risks and rewards should take note of the emotion generated by borrowers' names. Sometimes a name which catches the imagination can bring new life to a dull market and provide a benchmark for comparisons. Perhaps in the sterling commercial paper market J. Sainsbury will be that name. After opening last spring, the market did not leap with a lusty cry from its cradle, and according to some bankers – perhaps most vociferously the clearers who have good cause not to want too healthy a rival to their own lending – it never will.

The attractions to Sainsbury are clear. Having arranged a £100m CP programme it can quickly issue short term paper up to that limit so long as its dealers, S. G. Warburg and Swiss Bank Corporation International, can find buyers. After Christmas, when Sainsbury has to pay the turkey suppliers, the tax man and shareholders all at once, its cash position swings sharply the wrong way; now it can top up with CP.

The buyers are likely to be other companies and investment managers so Sainsbury can widen its source of funds, an important consideration in these times of banking crisis. And if these buyers are prepared to take a yield of London inter-bank mean rate (Limean) or possibly even less, because they like the Sainsbury credit risk, CP can at times be cheaper than overdrafts and the other more esoteric options.

But until the sterling CP market is more developed investors may not bother to investigate it and borrowing costs may not be forced down by demand. As a sometime investor in CP as well, Sainsbury has not always been able to match its spare cash to the right piece of paper. Chickens and eggs are just two more products Sainsbury knows about.

FINANCIAL TIMES
Monday December 8 1986

Montedison raises its stake in insurer

By Alan Friedman in Milan

MONTEDISON, the Italian chemicals company, is to pay between L170bn ($124m) and L190bn to acquire a key 3 per cent equity stake in La Fondiaria, the Florence insurance company.

The purchase of the Fondiaria shares, from Cariplo, Italy's biggest savings bank, will bring Montedison's stake in the insurer to 40.5 per cent, thus consolidating the chemical group's effective control.

The share acquisition, which brings to more than L900bn the amount spent by Montedison since this summer, when it began boosting its Fondiaria share stake from an initial 25 per cent, is part of a drive by the Milan-based group eventually to reach majority control of the wealthy insurance group.

The latest deal comes only two months after Mr Mario Schimberni, Montedison chairman, won a bitter battle over la Fondiaria which was waged by Mr Enrico Cuccia, the 79-year-old director of Mediobanca, the merchant bank which has 15 per cent of Fondiaria shares.

Mr Cuccia tried to block the Montedison share deal on the grounds that it violated the various gentlemen's agreements inherent in shareholder control syndicates which group together minority shareholders who control Italian companies through block voting.

These syndicates, while the traditional way of controlling companies in Italy, are not deemed by the courts to be legally binding.

The purchase of the 3 per cent share stake in Fondiaria from Cariplo represents a fresh victory for Mr Schimberni because Cariplo was earlier an ally of Mediobanca's in the battle over the insurer. By selling most of its Fondiaria shares (Cariplo still has just above 1 per cent left), the Milan-based savings bank effectively changed sides, delivering another blow to Mr Cuccia at Mediobanca.

INTERNATIONAL CREDITS

Volvo adds its weight to medium-term Euronotes

MEDIUM-TERM notes are gathering steam in the Euromarkets after months of toil on the part of the bankers developing them. Volvo, the Swedish automotive and industrial group, is adding its weight with the announcement of a $500m programme, writes **Alexander Nicoll in London**.

MTNs, continuously offered like commercial paper but for longer maturities, usually of between one and five years, have not caught on as quickly with European investors as they have in the US. But Pepsico's programme, now with some $150m in *outstandings*, is proving a pioneer.

Volvo's MTNs will be dealt by Credit Suisse First Boston as arranger, Enskilda Securities and Morgan Stanley International. The facility will not have the full flexibility of a US programme, since it will have a series structure with pre-set maturities and coupons, and only the issue price varying. This is designed to create liquidity by forming a body of paper for each maturity. The MTNs will be the first to be listed in London.

In the Eurocredit market, discussion centred on the controversial deal for Renfe, Spain's state railway, launched at the beginning of last week, and on the complex financing for Yves Saint Laurent, the fashion house, which requires a quick decision by Friday.

Renfe's £315m facility, carrying a low facility fee of 2½ basis points for three years and interest at Libid flat on drawings, was thought to be receiving a very poor response. The deal may turn out to be a watershed which could cause a fundamental reassessment of the competitive rush to lower returns.

Manufacturers Hanover did, however, receive some commitments last week. The deal is expected to be done, but the full reckoning will come at the end of this week.

Yves St Laurent's three loans totalling $465m, being put together by Credit Suisse First Boston and three other banks, are believed to be part of a $740m package. They are to finance the acquisition of Charles of the Ritz from Squibb of the US.

Yves Saint Laurent International, the financing vehicle is expected before the end of the year to issue $175m of shares and $100m of equity-linked subordinated debt.

The credits comprise a $215m eight-year loan at 1½ percentage points over Libor, falling to ⅞ point when a $175m one-year bridge loan, which also carries a 1½ point spread, is withdrawn. In addition, there is a $75m working capital facility at ¾ points over the cost of funds of each participating bank, and a ½ point facility fee. Front-end fees for the overall package run up to ½ point for lead managers, and participants must indicate whether they can put up some of the money in French francs.

Among the rush of deals being brought in the final flourish of 1986 is a $150m Euronote issuance facility for Reliance Premium Credit, arranged by Manufacturers Hanover. It is backed by receivables to be purchased from a subsidiary of Reliance Insurance on loans to finance insurance policies. Facility fee is ³⁄₁₆ and the maximum spread ¼ over Libor.

C. H. Beazer, the UK building group, has mandated County NatWest Capital Markets for a seven-year multi-option facility with a £120m and a $250m tranche, allowing for multi-currency advances, acceptances and notes to be sold through a tender panel. Maximum spread over Libor is 37.5 basis points, with underwriting fees of 12.5 basis points on available amounts and a 12.5 point utilisation fee above 75 per cent drawings.

A holding company for Michelin's operations outside France is raising $100m eight-year credit through S. G. Warburg and Banque Paribas, with a 6.25 basis point facility fee rising to 7.5 after five years, and a margin over Libor of 12.5 basis points rising to 15 after five years.

Aerospatiale, the French state aerospace group, received a warm response to its credit, which was increased to $400m from $250m after receiving subscriptions totalling $695m from 44 banks.

A lull in mandates for sterling commercial paper programmes has been broken by J. Sainsbury, the UK food retailer, with S. G. Warburg and Swiss Bank Corporation international appointed dealers for a £100m programme. The hope is that the borrower's good name will help it to set a benchmark in the still developing market. The paper is not rated, however, though Sainsbury's has a double-A long-term debt rating from Standard & Poors.

Among Euro-commercial paper programmes are those for Fiat Finance and Trade, which has appointed UBS (Securities) as a dealer, and Swedish Match, which has appointed Chase Investment Bank Merrill Lynch and SBCI.

A previously announced $1bn programme for Denmark will be the first to employ an automated issuance mechanism developed by Citicorp, which streamlines issuing and dealing and allows all five dealers to be contacted simultaneously.

EUROMARKET TURNOVER
Turnover ($m)

Primary Market	Straights	Conv	FRN	Other
US$	5,180.6	4.1	766.3	3,495.5
Prev	860.5	170.0	3,238.4	2,410.4
Other	1,418.0	0.7	149.6	250.9
Prev	779.1	3.0	386.2	113.9
Secondary Market				
US$	24,016.5	1,080.4	19,304.5	5,967.5
Prev	21,171.8	1,254.0	13,879.2	4,341.5
Other	11,829.0	155.6	2,621.3	6,549.9
Prev	12,025.6	160.1	2,225.8	6,168.0

	Cedel	Euroclear	Total
US$	15,799.5	43,995.6	59,795.4
Prev	13,702.0	36,630.8	50,332.8
Other	10,144.6	12,830.4	22,975.0
Prev	10,205.0	11,634.7	22,839.7

Week to Dec. 4, 1986 — Source: AIBD

INTERNATIONAL BONDS

Eurobonds overshadowed by crisis of confidence in FRNs

THE EUROBOND market was overshadowed last by the crisis in secondary trading in dollar floating rate notes, as confidence in the perpetual sector virtually collapsed, writes **Clare Pearson in London**.

By the end of the week many market-makers had given up making firm prices in perpetual issues – at least for the time being – and the whole FRN market was badly shaken.

Yet by Friday afternoon the worst of the crisis appeared to be over, although perpetuals are unlikely to enjoy as many as 40 market-makers again.

A handful of houses, including Salomon Brothers International and Credit Suisse First Boston, had carried on making firm prices in the issues throughout the week. By Friday they had been joined by some eight other firms. Prices of most issues were stabilising, while some for the better-known borrowers were rallying slightly on professional short covering.

Meanwhile, the fixed rate Eurobond sector was enjoying resurgent investor demand last week.

The US market displayed, at least until Friday afternoon, a rugged determination to shrug off Washington's political preoccupations, and to concentrate on improved prospects of easier interest rates. Fixed rate Eurobond investors could not help being infected by this optimism and prices were pushed higher in almost all sectors.

The Eurobond primary market has often put paid to this kind of demand by immediately issuing a mass of expensive new paper. Last week, however, issuing managers were in a more cautious mood and most deals were reasonably well-received.

The main exception was a $247m 10-year offering for the European Atomic Energy Commission, launched by UBS (Securities) midweek. This bond gave an initial 70 basis point yield margin over US Treasury bonds, which the market thought meagre.

In general, though, borrowers have been able to push maturities on fixed-rate debt issues out beyond five years, which has been the cutoff point for acceptability during much of the second half of this year.

True, investors are still attracted to shorter-dated issues, as Swiss Bank Corporation International found with its enthusiastically received three-year bond for Algemene Bank Nederland. But seven-year bonds, which provide a 30-basis point pick-up in yield over five-year issues, are also proving especially acceptable.

This does not mean that all the cash currently on short-term deposit is looking for a home in any old Eurobond.

The strength of (particularly Japanese) demand in the Yankee market – the US domestic market for foreign borrowers – for instance, is meaning many borrowers are finding it cheaper to issue debt on the other side of the Atlantic.

Last week New Zealand, Finland, Denmark and the Inter-American Development Bank, all stalwart Eurobond market borrowers, chose the Yankee market instead. Some achieved borrowing costs about 10 basis points lower than those open to them in the Eurobond market.

Demand by investors for new Eurobonds is necessarily limited since this year's heavy issuing volume has left a lot of unplaced paper washing around in the secondary market.

Those investors who are looking at new issues have become increasingly wary of bonds that they fear may become illiquid, for many of this year's crop have never enjoyed a proper aftermarket. Eurobond salesmen say clients are increasingly concerned not just about the pricing of a deal, but about its management group.

Yet overall the market seemed able to absorb last week's offerings, even if on terms not very attractive for the managers. New issues were trading at discounts to issue price around the level of their total fees, which was at least a change from the tendency to drop immediately to loss-making levels which they displayed a few months ago.

The non-dollar sectors have also caught some of the dollar market's renewed vigour. In the D-Mark market hopes of lower interest rates once the West German elections are out of the way pushed prices higher last week. The absorption of paper was aided by the fact that borrowers held back, awaiting lower borrowing costs.

It even proved possible to reopen the shutters on the Eurosterling market after a three-month period when issuing windows have been securely shut. Investors have been drifting back to the sector, reassured by a belief that it has stabilised at lower levels.

LTV wins agreement for further financing

By Anatole Kaletsky in New York

LTV, the US steelmaking, energy and defence products company, which went into bankruptcy in July has won agreement for new credit facilities from its main bankers.

Mr Julian Scheen, a senior vice-president of LTV said in Dallas over the weekend that the company had reached agreement on new financing terms with a consortium of the company's 22 major bankers, led by Mellon Bank of Pittsburgh and Manufacturers Hanover Trust.

Among the concessions won by LTV is an increase of $100m in its lines of credit and the conversion of $435m of secured debt into a revolving credit facility.

In addition, the banks had agreed to fund $160m of outstanding secured letters of credit in the event of these letters being drawn, Mr Scheen said.

The new credit agreements appear to mark a further positive step in what has so far been a relatively smooth financial consolidation after LTV shocked the financial community with its announcement in July of the biggest corporate bankruptcy in US history.

LTV's results for the third quarter of 1986, which were announced two weeks ago, showed a substantial improvement in liquidity and cash flow, resulting mainly from the sharp cuts in LTV's steelmaking operations.

Although its third-quarter net loss was $2.07bn, this resulted entirely from special charges, relating to plant closures and unfunded pension liabilities, totalling $2.1bn. The company said it had $441m in cash and short-term securities in mid-November, compared with $176m when it filed for bankruptcy.

Perot exit 'could help' GM computer unit

BY DAVID THOMAS IN LONDON

THE DRAMATIC exit of Mr Ross Perot, founder of Electronic Data Systems, the computer services subsidiary of General Motors, from GM's board last week could help EDS.

So says Mr Gary Fernandes, EDS's senior vice-president, in one of the first comments by a top EDS executive on Mr Perot's bitter row with GM, which cost the American car group more than $700m.

Mr Fernandes was speaking in London, the base for EDS operations outside North America, which he heads. He praised the charismatic Mr Perot for building up EDS, but pointed to benefits from the rupture: "It will remove some contentious factors at the top of the company."

EDS does not have a high profile in Britain or Europe. Yet more than half of its $400m sales this year outside North America will be in Europe. In the UK, its workforce has grown from 100 in 1984 to 1,400 now: it is forecasting more than $100m British sales next year.

EDS specialises in a relatively new field – managing other large organisations' computer and communications needs. It can do anything from advising a company on how to modernise its communications, through managing the installation of the equipment to operating a company's data and voice networks.

Its biggest customer by far is its parent, GM. It has managed GM's communications needs since it was bought by the car company in 1984.

Mr Fernandes sees EDS's main task now as to increase its non-GM business. It is happy to enter joint ventures to do this and will soon announce a partnership in computer integrated manufacturing with one of Europe's leading information technology companies.

Its customers outside North America include Unilever, the Anglo-Dutch food and household products group, Isuzu Motors of Japan, the Belgian ministry of education, Shell's Brazil operations, and London Regional transport and Bupa, the health care organisation, in the UK.

EDS has been active outside North American only in the past decade. Its international operations have fallen into three main phases.

In the 1970s, it took part in large, one-off projects in the Middle East. Like many Western companies, its fingers were burnt by the Iranian revolution. Mr Perot had to organise a private rescue mission led by an ex-marine when two EDS executives were taken hostage in Iran.

This trauma led to a re-think. EDS decided to build up a permanent presence abroad, concentrating initially on Western Europe. It was ready to buy its way into foreign markets.

Its most important move, late in 1983, was to buy Unilever's computer subsidiary. EDS now manages Unilever's private digital phone network in the UK, as well as the computer operations at Unilever's head offices in London and Rotterdam.

Phase three came with the GM acquisition. EDS set out to rationalise the data and voice needs of the sprawling GM empire.

The car group had eleven separate data networks worldwide. In Europe alone, GM had five computger centres and EDS had two. EDS wanted to to create one global private network out of all this a task which Mr Fernandes says is almost complete.

Mr Fernandes denies that the partnership in Europe caused the friction so evident in Mr Perot's complaints about GM's bureaucracy in the US.

The most Mr Fernandes admits to is this: "GM computer workers had always lived life as a cost centre, not a profit centre. We live life as a profit centre. That change was pretty traumatic, but it took place quickly."

Neither has EDS seen any need to adapt its distinctive culture based on Mr Perot's personal philosophy, in its overseas operations. "The basic motivating factors are the same the world over. People respond to leadership and want to be part of a winning team," Mr Fernandes argues.

EDS employees are given guidelines on their behaviour including their appearance: men, for example, should not wear beards. It expects its employees to work very long shifts, to give up weekends and bank holidays, if requested, although the company insists it is sensitive to personal crises.

EDS frowns on unions, though it deals with them in those countries where it is legally obliged to. Its workers are not expected to discuss their salaries with one another. It has a large training programme which it is happy to describe as rigorous: "We want to create an atmosphere of pressure that they will face in the real world," Mr Fernandes explains.

Mr Fernandes objects to the description of EDS's culture as militaristic, insisting that the company stresses individual initiative.

The latest controversy surrounding the company in the UK is the allegation that EDS staff were encouraged to be economical with the truth when dealing with immigration officials. The claim is particularly embarrassing because EDS is after a contract to computerise Britain's passport office.

However, the company's main challenge now is to smooth over relations with GM after Mr Perot's headline grabbing departure.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book Runner	Offer yield %
U.S. DOLLARS							
Shiseido Co. ¶‡	120	1991	5	3⅜	100	Daiwa Europe	3.375
Yodogawa Steel Wks ¶‡	70	1991	5	3⅝	100	Yamaichi Int. (Eur)	3.625
Chiba Bank §‡	100	2002	15¼	2⅜	100	Nomura Int.	2.375
Takasago Thermal Eng. ¶‡	25	1991	5	3⅝	100	Yamaichi Int. (Eur)	3.825
Dev. Bk of Singapore §	100	2001	15	(4)	100	Daiwa Secs.	•
Park Lahsa Fin. (a) †‡	165	1998	12	⅛	100	Morgan Stanley	–
LTCB Finance ‡	200	1997	10	8	101⅝	LTCB Int.	7.798
Credit Foncier ‡	150	1994	7	7½	100¾	Societe Generale	7.429
NT Finance ‡	100	1991	5	7⅝	101	Bankers Trust Int.	7.379
Heron Int. Fin. (b) †‡	100	1993	7	⅛	100	Orion Royal Bank	–
CMO Euro-Trust 16A †‡	286.75	2018	8½	(c)	100	Salomon Brothers	–
Finland (g) ‡	100	1993	7	7.6	100	First Boston	7.744
Finland (g) ‡	100	1998	10	7.8	99.79	First Boston	7.884
Taiyo Kobe Fin. ‡	100	1994	7	7⅜	101⅛	Morgan Stanley	7.537
CMO Trust-Series D †‡	120	2018	8.4	(f)	99¾	Drexel Burnham L'bert	–
Toyota Motor Credit ‡	150	1992	7	7⅛	101⅝	Merrill Lynch	6.825
General Electric ¶‡	150	1994	7	2¾	100	Morgan Stanley	2.750
Credit Suisse ¶‡	100	1997	10	4⅞	100	CSFB	4.875
SNCF ‡	175	1994	7	7¼	100	Credit Lyonnais	7.250
Euratom ‡	247	1997	10	7¾	101⅜	UBS (Secs)	7.548
Denmark (g) ‡	300	1996	10	7¾	100	Salomon Brothers	7.900
City of Oslo ‡	150	1997	10	7⅞	101½	Bank of Tokyo Int.	7.855
Toyo Trust Asia ‡	100	1992	5	7⅜	101⅜	Toyo Trust Int.	7.839
Mitsubishi Corp. Fin. ‡	150	1992	6	7¼	101½	Morgan Guaranty	8.885
New Zealand (g) ‡	200	1993	7	7.7	100	First Boston	7.848
New Zealand (g) ‡	300	2006	20	8¾	100	First Boston	8.941
IADB (g) ‡	200	1996	10	7½	99.85	Merrill Lynch	7.663
Lonrho Finance ‡	100	1992	5	8	100½	CSFB	7.875
ABN ‡	150	1990	3	7	101½	SBCI	6.528
Rural Bk. & Fin. (NZ) ‡	200	1994	7	7¾	101⅞	Morgan Stanley	7.490
CMO Euro-Trust 17A †‡	150	2018	3.7	(h)	100	Salomon Brothers	–
CANADIAN DOLLARS							
Pafco Fin. Holdings §‡	20	1993	7	8	100	Chemical Bank Int.	8.160
John Labatt ‡	100	1992	5	9½	100½	Wood Gundy	9.370
AUSTRALIAN DOLLARS							
Amro Bank ‡	60	1990	3	14¼	101	EBC Amro Bank	13.821
SWISS FRANCS							
Shiseido Co. ¶‡	100	1993	–	2	100	Credit Suisse	2.000
Shiseido Co.** ¶‡	100	1993	–	2¼	100	Credit Suisse	2.250
Meidensha Elec. Mfg.** §‡	120	1992	–	⅞	100	Banca del Gottardo	0.877
Dai-Ichi Seiyaku** §‡	100	1992	–	⅞	100	Credit Suisse	0.877
Osaka Fish Market** §‡	50	1992	–	⅞	100	Handelsbank	0.877
Takara Standard** §‡	40	1992	–	⅞	100	Bank Julius Baer	0.877
Kinugawa Rubber**	20	1993	–	(5)	(99¾)	Credit Suisse	•
Kinugawa Rubber ¶	30	1993	–	(2⅝)	•	Credit Suisse	•
Standard Chartered ¶	300	1997	–	(4)	100	Handelsbank	•
Mitsumi Electric** ¶	70	1991	–	2¼	100	SBC	2.250
IADB ‡	175	1997	–	5	99¾	UBS	5.032
General Motors ‡	165	1997	–	5	100	Credit Suisse	5.000
Tobu Store** ¶	60	1991	–	(2¼)	•	Swiss Volksbank	•
Takashimaya Co.** ¶	50	1992	–	(2¼)	•	UBS	•
Daiwa Kosho Lease** ¶	120	1991	–	(2¼)	•	UBS	•
STERLING							
EIB ‡	75	1995	8	11½	101⅝	Kleinwort Benson	11.182
Next §‡	40	2002	15½	6¾	100	Salomon Brothers	6.750
ECUs							
BNP ‡	75	1993	6¾	7⅞	101	BNP	7.889
ECSC ‡	100	1997	10	8	101¼	Societe Generale	7.815
FRENCH FRANCS							
Credit National (e) †‡	500	1991	5	10bp	100	CCF	–
YEN							
NTT ‡	50bn	1993	7	5¼	101⅜	Nomura Int.	5.506
Kansai-Osaka-P. (d) †‡	10bn	1991	5	12½bp	101	Morgan Guaranty	–
Christiania Bk Kr'kasse (i) ‡	8.5bn	1992	5	7½	102	Morgan Stanley	7.812

* Not yet priced. ‡ Final terms. ** Private placement. † Floating rate note. ¶ With equity warrants. ϕ With bond warrants. § Currency-linked. (a) ⅛ over 6m Libor. (b) ⅛ over 6m Libor, additional $50m tap. (c) First coupon (to March 1987) 6.5625%, 50 bp over 3m Libor thereafter. (d) 12½ bp plus 6m Libor × 0.1 first 2 yrs, 220bp plus 6m Libor thereafter. (e) 10bp over 3m Libor. (f) Pays 6½% until next April, then 50bp over 3m Libor. (g) Launched on US domestic market. (h) First coupon (to April 1987) 6.6875%, 50bp over 3m Libor thereafter. (i) Redemption linked to Japanese Govt.bond futures. Note: Yields are calculated on AIBD basis.

Philippines to speed sale of assets

By Richard Gourlay in Manila

THE PHILIPPINES Government is to transfer $7bn of non-performing assets from the books of two state-owned banks in order to sell them more quickly.

President Corazon Aquino is expected today to sign a decree transferring the assets from Philippine National Bank and the Development Bank of the Philippines to the Government.

The largest asset is Onoc Minings' nickel mine, held in DBP's books at $750m. It requires at least $30m to restart.

More saleable items include hotels, agri-businesses, ships, a logging concern and a cement plant.

The Government believes the market value of the assets is only 40 per cent of their book value. It is launching its sales drive with a two-day fair in Manila starting tomorrow.

Financing the DBP and PNB losses from these assets this year will cost $1.4bn, a sum equal to the national budget deficit. The Government expects a similar financing cost in 1987, despite stepped up eqorts to sell the assets.

Bet Shemesh Engines for sale

BY ANDREW WHITLEY IN TEL AVIV

A MINISTERIAL working group examining the future of Bet Shemesh Engines, the near-bankrupt Israeli aero-engine manufacturer in which Pratt and Whitney of the US has a large holding, has offered the company for sale to the Israeli private sector.

The invitation to bid for the state's 58 per cent controlling interest in Bet Shemesh, which has accumulated debts of more than $100m and annual sales of about $18m, represents a reversal of an earlier government decision to put the long troubled company into receivership.

Last week, Pratt and Whitney threatened to pull out of the joint venture if a private purchaser were not found within a month.fi It has made clear its objection to Bet Shemesh being taken over by the state-owned Israel Aircraft Industries.

The Government has also come under considerable pressure fro mthe company's 700-strong workforce not to go through with its intention to close the enterprise. Bet Shemesh is located in a development region, and the resulting unemployment would add to its difficulties.

The employees have made an unusual suggestion to raise capital themselves and become partners in the enterprise. If their novel bid succeeds, it will bze the first example in Israel of a workers' buy-out.

Another offer to take over the Government's shareholding and nurse the company back to health has come from Mr Stef Wertheimer, the visionary driving force behind Iscar, the precision tools and engine components group whose subsidiary, Iscar Blades, is a supplier to Pratt and Whitney.

Under Mr Wertheimer's proposal, favoured in government circles, Bet Shemesh's labour force would be slimmed down to about 450.

Interest has also been expressed by IAI and the state-owned Israel Military Industries.

Brunei bank fraud case adjourned

THE FRAUD and conspiracy case involving five senior executives of the National Bank of Brunei was adjourned last Saturday for two weeks, after a hearing of only 10 minutes. The five defendants, who include Khoo Ban Hock, the bank's chairman, were all remanded in custody until the next hearing, scheduled for December 20, writes Steven Butler in Bandar Seri Begawan.

Defence counsel told the court that representations were still being made to the Brunei attorney-general on behalf of his clients. It is not known what these representations are.

National Bank of Brunei, which is a privste commercial bank 70 per cent owned by the family interests of Tan Sri Khoo Teck Puat, was seized on November 20 by the Brunei authorities and permanently closed.

The Brunei Government has stated that B$1.3bn (US$590m), or 90 per cent of outstanding loans, was owed to the bank by companies owned by the Khoo family

Inquiry urged into Murdoch bid for HWT

By Our Financial Staff

MR RUPERT MURDOCH'S A$1.85bn (US$1.21bn) bid for Herald and Weekly Times, the Melbourne newspaper and broadcasting group, appeared to have run into gathering political opposition in Australia over the weekend.

Mr Bill Hayden, the Australian Foreign Minister, said he was disturbed at the monopoly implications of combining Mr Murdoch's already large media empire in Australia with the HWT group, and called for a full and rigorous investigation of the bid.

The Trade Practices Commission has already announced that it will review the bid. It is not clear what attitude Mr Bob Hawke, the Prime Minister, takes towards Mr Murdoch's bold approach to HWT.

Last Friday a potential counter-bidder emerged in the person of Mr Robert Holmes à Court, who held a meeting with the HWT board, though he has yet to make any formal move. Some 12 per cent of HWT's shares is in the hands of Mr Ron Brierley, chairman of Industrial Equity Limited.

US MONEY AND CREDIT

Bond prices expected to test new highs

DESPITE the retreat on Friday, when prices fell by a point or more in response to strong employment data, confidence is spreading among US bond investors that the market may soon be testing new highs.

Hopes of a discount rate cut in the immediate future suffered a setback when the Department of Employment announced an impressive rise of 249,000 in non-farm employment. With the civilian unemployment rate continuing to hold steady at 7 per cent, the congressional elections over, and the Iranian arms imbroglio distracting political attention from US trade problems, there is no immediate pressure on the Federal Reserve to give a boost to the lacklustre economy.

Looking forward to the early part of 1987, however, the majority of analysts seem more convinced than ever that growth has settled down to a gentle rate of 2 to 3 per cent, and that the uncertainties are skewed heavily towards the danger of recession rather than inflation.

As Mr Philip Braverman of Irving Securities puts it: "Investors are shrugging off such on-again, off-again negatives as a high funds rate, dollar weakness, and apparent indications of economic vitality."

On the first point—a high funds rate—the market proved quite capable of rallying early this week, despite the fact that Fed funds were trading at over 6½ per cent. The tightness of the money market was taken as a consequence of seasonal shortages, rather than Fed discipline. And in the event, the shortages were partially relieved by aggressive reserve supplying from the central bank on Thursday.

More fundamentally, the long end of the market appeared to have developed an inbuilt momentum, independent of Fed encouragement.

As Mr Henry Kaufman of Salomon Brothers pointed out over the weekend, "the strength of the present rally is reflected by the fact that the Treasury yield curve from three-month bills to 30-year bonds has narrowed by 45 basis points since early November."

Dollar weakness, another of the market's perennial worries, has also been partially relieved. Not only has the dollar apparently stabilised for the time being but the interpretation of any further dollar weakness is becoming more favourable—at least from a bond investor's point of view. The feeling now is that the dollar will fall further only on signs of US economic weakness, not on Japanese or German economic strength.

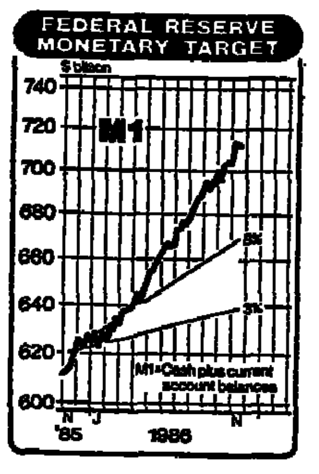
Mr Braverman of Irving Securities appears to reflect the present relatively relaxed consensus on the currency problem when he says: "No significant inflation acceleration is likely in the US, despite a weakening dollar, with the economy skirting recession and capacity utilisation rates low."

The indicators from the US economy, meanwhile, have continued to give mixed signals. In addition to Friday's employment data, the main indicator last week was a 3.6 per cent decline in October's factory orders, which amounted to a 1.8 per cent fall excluding sharp cuts in military spending. The money supply figures showed a larger than expected decline of $800m.

Next week's statistics, with the market's present expectations, are as follows:

- November retail sales will be out on Thursday. Forecasts range from a fall of 0.3 per cent to a rise of 0.5 per cent. This has been a very erratic series lately, owing to special incentives for car sales, with the October figure down by 5 per cent and the September statistic up by 5.3 per cent.
- Money supply figures on Thursday are expected to show a big rise of anything from $1bn to $4bn.
- The producer price index on Friday is widely forecasted to be 0.3 per cent up, following rises of 0.3 per cent in October and 0.4 per cent in September.
- Manufacturing sales and inventories are also announced on Friday. Sales could be down by 2 per cent to 3.5 per cent after a preliminary rise of 2.9 per cent in September and 0.4 per cent in August. Inventories should be steady to 1 per cent higher, after falls of 0.3 per cent in each of the previous two months.

Anatole Kaletsky



US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	6.34	6.00	6.10	9.91	5.71
Three-month Treasury bills	5.44	5.38	5.32	7.28	5.01
Six-month Treasury bills	5.46	5.41	5.42	7.38	5.06
Three-month prime CDs	6.03	5.90	5.85	8.05	5.46
30-day Commercial Paper	5.95	5.88	5.80	8.05	5.55
90-day Commercial Paper	5.82	5.78	5.73	7.95	5.45

US BOND PRICES AND YIELDS (%)

	Last Friday	Change on week	Yield	1 week ago	4 wks ago
Seven-year Treasury	101⅛	+ ¼	6.92	6.97	7.30
20-year Treasury	117⅞	+ ⅜	7.86	7.70	8.03
30-year Treasury	101⅝	+ ½	7.37	7.41	7.68
New 10-year "A" Financial	N/A	N/A	8.60	8.13	8.63
New "AA" Long utility	N/A	N/A	8.88	9.00	9.25
New "AA" Long industrial	N/A	N/A	8.88	8.88	9.06

Source: Salomon Bros (estimates).

Money Supply: In the week ended November 24 M1 fell by $800m to $711.5bn.

NRI TOKYO BOND INDEX

12/1983=100	4/12/86	Average yield (%)	Last week	12 weeks ago	26 wks ago
		PERFORMANCE INDEX			
Overall	131.20	5.00	130.75	128.39	124.62
Government Bonds	132.02	4.67	131.52	129.35	125.68
Municipal Bonds	131.58	5.41	131.20	128.10	124.25
Government-guaranteed Bonds	132.25	5.48	131.87	128.66	124.73
Bond Debentures	127.63	4.73	127.18	125.29	122.03
Corporate Bonds	129.79	5.85	129.57	127.35	123.23
Yen-denominated Foreign Bonds	132.12	6.51	131.58	129.45	124.93
Government 10-year†		5.37	5.46	5.45	5.73

† Estimated par yield. Source: Nomura Research Institute.

UK GILTS

Game of pass the parcel as retail investors stay away

IT MUST be a frustrating time for market makers in gilt-edged stock. Every week, as yields edge higher, the brave 27 wait for signs of a real resurgence in retail demand and every week, it seems, they are disappointed.

Without the good offices of the final investor, trading gilts must seem like an elaborate game of pass the parcel and even without customers, relatively high volume has been created as primary dealers shunt stock around to one another.

Nothing was more indicative of the state of the market than the Bank of England's very slow progress in selling the £400m of tranchettes it announced on November 28. It took the whole week to exhaust £100m of 9 per cent Conversion Stock 2000, only modest demand was seen for the £100m of 8½ per cent Treasury Loan 2007 and, from all reports, the £200m tranchette of 10½ per cent Treasury Convertible Stock 1992 has been left virtually untouched.

All these stocks were tax free for residents abroad, yet gilts salesmen reported only patchy interest from overseas. It is always to be hoped that foreign investors will be less prone than domestic institutions to such parochial worries as the existence — or not — of a coherent monetary policy and that they, more than anyone else, simply look for the most attractive, risk-adjusted return.

Mr Malcolm Roberts of Salomon Brothers put a bullish case for gilts in a report last week. For example, he argued, in the three-year area of the market the break-even exchange rate for a dollar-based investor was $1.23, well below market expectations for the pound. He also argued that 11 per cent yields on long-dated stock fully discounted a likely rise in inflation over the next year to 4.5 per cent.

And still gilts fail to attract. Mr John Buck, gilts analyst with James Capel, said he saw little chance of a real bounce until the new year. He noted that the current size of the risk premium was similar to the one demanded ahead of the 1983 General Election when the Conservative Party was clearly ahead in opinion polls. The political outlook this time round is a lot less clear, although last week's MORI poll confirmed the trend of most recent polls, putting the Conservatives ahead.

In the short term, the market is waiting to see if any progress on oil prices emerges from the meeting of the Organisation of Petroleum Exporting Countries later this week. In the medium term, investors want to see whether the January sterling crisis, provoked annually in some kind of Pavlovian reaction, actually happens.

The perception that the next movement in base lending rates will be an upward one is constraining the short end of the market. Sterling is one problem. Mo is another. A feature of recent broker circulars has been the emergence of a debate on the growth of narrow money. This may seem rather strange, given that nobody in the City really believes in it. But whatever the demerits, the Chancellor's faith in it as a tool of policy commands attention.

There appears to be a good chance that Mo will come within a whisker of annual growth of more than 6 per cent in the early months of next year. This is partly because inflation is creeping higher and growth is accelerating. The other factor is that Mo growth was almost flat in early 1986, and even small monthly rises in the New Year would push the annual growth rate higher.

Would a rise above target provoke another rise in interest rates or would the Prime Minister's political instincts rule that out? It should be remembered that the Chancelor raised rates in October, citing Mo as one key factor, when the aggregate was only just above the mid-point of its target range.

Other figures to watch are Friday's November retail prices index and any further clues to the actual level of invisible earnings. If projections continue to prove overstated, it is conceivable that the current account will go into deficit this year, let alone next, and 1986 will end on a sour note.

Janet Bush

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
AHFC O/S Fin 11¾ 94	100	103⅛	0	11.60
AIDC 11 89	75	107½	+0¼	7.10
Alcan Australia 8½ 89	25	100	+0⅛	8.45
Amer Saving 12 89	125	105⅝	+0⅛	9.15
Amer Saving 12¾ 89	100	107¾	+0⅛	9.44
Asian Dev Bk 11⅞ 93	100	116⅛	+1	8.50
Australia 8¾ 91	80	102	−0⅛	8.22
Australia 11¾ 90	100	111⅝	+0⅜	7.60
Australia 11⅞ 98	100	119⅝	+1⅛	8.96
Austria 15½ 88	75	111⅛	−0⅛	6.03
Avon Fin 10⅜ 92	100	105⅝	−0⅛	8.93
Bk Nova Scotia 13⅝ 87	100	105⅛	+0½	3.81
Bank of Tokyo 12⅝ 92	85	117	+0⅛	8.18
Bank of Tokyo 13⅝ 91	100	121	−0⅛	7.93
Bank of Tokyo 13⅞ 89	100	116½	+0⅞	7.13
BMW O/S Ents 10⅝ 91	50	102⅞	−0⅛	7.96
BP Capital 11¼ 92	150	111¾	+0⅛	8.26
Br Col Hydro 12½ 14	200	132¼	+0⅞	9.46
Br Col Hydro 12½ 13	250	131⅞	+0⅝	9.47
Br Col Hydro 13⅛ 88	150	110⅛	0	6.45
Britoil Fin 11⅞ 90	125	107⅞	−0⅛	9.37
Caisse Nat En 11¾ 95	125	122⅝	+0⅞	7.88
Canada 10⅝ 88	500	107⅝	0	6.45
CBS Inc 11⅛ 92	100	105½	+0¼	9.25
Centrust S & L 0 10	1.2bn	12⅛	+0½	9.62
Chesebrough 12 93	100	111⅜	+0⅞	9.50
Citicorp 10 88	200	105¼	0	6.64
Citicorp 11⅛ 92	100	108⅞	−0⅛	9.66
Citicorp 11¾ 97	200	109⅞	0	10.21
Citicorp O/S 10⅜ 90	100	101½	+0⅛	9.80
Citicorp O/S 11¾ 90	100	104	−0⅛	10.40
CNCA 11½ 92	125	116¼	0	7.64
CNCA 13⅛ 91	100	122	0	7.29
Coastfed Int 12⅜ 88	125	106½	0	7.27
Coca-Cola 11⅛ 88	100	108⅜	−0⅛	6.71
Cn Fn de Paris 13⅞ 89	100	106⅜	−0⅛	10.93
Continental Grp 11½ 93	75	104⅛	−0⅛	10.50
Creditanstalt 13½ 91	100	118⅛	+0⅛	7.99
Daiichi Kangyo 12⅛ 90	100	118½	+0⅜	7.19
Denmark 10⅞ 90	100	104⅝	0	9.16
Denmark 11½ 92	100	[illegible]	+0⅛	7.59
Denmark 12⅜ 93	100	111⅞	0	9.32
Denmark 12⅝ 92	250	101½	−0⅛	12.31
Denmark 13 91	100	120⅝	+0⅝	7.35
Denmark 13 92	100	101⅝	−0⅝	12.33
Denmark 13⅜ 91	100	122⅛	+0⅝	7.52
Denmark 14 91	100	111½	0	10.67
Digital Equip 11⅝ 89	150	109⅞	+0⅛	8.88
Dutch St Mines 11⅜ 91	150	106⅞	0	9.39
Eksportfinans 11¼ 92	100	116⅝	+0½	7.53
Eksportfinans 11½ 90	100	108	+0⅛	8.68
Elec de France 11⅛ 93	100	117⅛	+0⅛	7.56
Elec de France 12⅝ 87	160	105⅝	−0⅛	6.48
EEC 9⅝ 90	350	106¼	+0⅛	7.61
EEC 11 87	350	102⅝	−0⅛	6.10
EEC 11½ 90	100	111⅞	+0⅝	6.80
Elf-Aquitaine 10⅜ 89	100	106⅝	−0⅛	7.62
Ericsson L M 10⅝ 88	100	103	−0⅛	7.54
Euro Inv Bk 11½ 90	200	115⅝	+0⅛	6.99
Euro Inv Bk 11⅝ 91	75	111⅝	+0⅛	8.18
Euro Inv Bk 12½ 90	100	118⅛	+0⅛	6.36
EDC 9⅞ 88	200	104½	0	6.86
EDC 10 88	125	104⅝	0	6.28
EDC 10⅜ 88	100	104⅝	0	6.28
EDC 11⅛ 89	150	108⅝	0	6.68
EDC 12 89	100	113⅛	+0¼	6.85
EDC 13⅛ 87	100	105⅝	−0⅛	5.97
Fed Dept Store 11 90	100	109⅝	−0⅛	7.40
Finland 11½ 88	100	105⅝	0	6.37
Finland 12¾ 94	75	126⅛	+0⅝	7.72
Finnish Export 12⅝ 87	75	105½	0	6.26
Firstfed Mich 1 13⅛ 89	125	111⅛	0	8.14
Florida Fed 12⅝ 89	100	108½	−0⅛	9.22
FNMA 11.5 91	300	114	+0⅛	8.00
Gen Elec Cred 0 98	600	47⅞	+0⅞	8.07
Gen Elec Cred 9⅜ 91	100	105⅝	+0⅛	8.22
Gen Elec Cred 10⅛ 90	200	106⅝	+0¼	9.46
Gen Elec Cred 11 91	200	106½	+0⅛	9.06
Gen Elec Cred 11½ 87	200	104⅝	0	10.82
Gen Elec Cred 12 94	200	115⅛	−0½	9.21
Gen Foods Cap 11½ 90	75	109⅝	+0⅛	8.07
General Mills B 12 91	100	115½	+0½	8.13
Gen Motors Acc 10⅞ 90	200	104⅞	+0½	8.65
Gen Motors Acc 11⅝ 90	100	107⅛	+0⅛	9.03
GMAC 10 92	250	107⅞	+0½	8.23
GMAC 10 88	200	104⅛	+0⅛	6.32
GMAC O/S Fin 15⅛ 87	100	106⅝	+0¼	10.52
GTE Finance 12 96	75	102	−0⅛	11.61
Gul Oil 10⅝ 94	100	103⅝	+0⅛	9.58
GZB 14 91	100	120½	0	8.38
Holl Air Fin 12⅜ 91	100	107⅛	+0⅛	10.13
Household Fin 11⅝ 92	100	112⅝	+0⅛	8.53
IBM 9⅝ 88	200	103⅞	+0⅛	9.10
IBM (WTC) 10⅜ 89	300	105	+0⅛	9.68
IBM Credit 11 89	100	105	0	9.02
IC Industries 8¾ 87	35	99¾	0	9.06
IC Industries 12 90	75	108⅞	+0⅝	8.83
Inco 9 92	100	99⅝	+0⅛	9.08
Ind Bk Japan 10⅜ 92	100	109⅝	+0⅝	8.44
Ind Bk Japan 10⅞ 88	100	105	0	6.91
Ind Bk Japan 10⅞ 95	100	111⅞	+0⅛	8.76
Ind Bk Japan 11½ 89	125	107⅝	+0⅛	7.81
Int-Amer Dev 12⅜ 91	150	121⅛	+0¼	7.43
Int-Amer Dev 11⅜ 94	200	122⅞	+0¼	7.88
Int Paper 12 91	75	106⅝	0	10.10
Int Stand Elec 0 97	112	37½	0	10.01
Int Stand Elec 12 96	75	109⅝	+1⅛	10.36
ITT 11½ 89	125	108⅞	+0⅛	8.04
ITT Credit Corp 10½ 90	75	107⅛	+0⅛	8.04
Japan Airlines 12½ 94	70	119½	+0½	8.81
Japan-Dev Bk 10⅝ 92	50	109¼	+0½	8.40
Kellogg Co 10⅞ 90	100	107½	+0⅛	8.04
Kellogg Co 11⅛ 92	100	109⅜	0	8.88
Kiewit 10⅜ 90	100	106⅝	0	8.08
Kimberley-Clark 12 94	100	122⅝	+1	8.03
Kyowa Fin HK 12⅞ 90	100	112⅝	+1⅛	8.45
Long Term Cred 10⅜ 90	100	110½	+0⅝	7.21
Long Term Cred 11 90	100	110⅝	+0⅛	7.22
Long Term Cred 11⅞ 89	100	109⅝	−0⅛	7.19
Long Term Cred 12 93	100	121⅛	+0½	7.92
Macy R H 11⅜ 91	100	103⅛	−0⅛	10.75
Marubeni 11⅛ 91	100	112	+0⅛	8.36
McDonald Fin 11⅛ 94	75	109	+0⅛	9.80
Merrill Lynch 12⅜ 89	100	105⅞	−0⅛	10.42
Michelin 7½ 88	58	99⅛	−0⅛	8.26
Mitsubishi Corp 10½ 92	100	108	+0⅛	8.52
Mitsubishi Corp 10⅝ 95	200	110	+0½	8.85
Mitsubishi Corp 12½ 91	100	115½	−0½	8.16
Mitsubishi Est 10⅜ 92	50	109⅛	+0⅛	8.51
Mitsubishi Est 11⅝ 88	50	105⅝	0	6.95
Mitsui Fin Asia 12⅛ 92	100	115⅞	+0⅛	8.24
Mitsui Tst Fin 12 91	100	113	+1⅛	8.18
Mobil Corp 10⅜ 90	200	107	−0¼	7.84
Montreal City 12½ 91	70	114⅛	+0⅛	8.38
Mgn Guaranty 12⅜ 89	150	110⅝	−0⅛	7.09
Morgan J P 11⅜ 92	100	108⅞	+0⅛	8.81
Mount Isa Fin 13⅜ 87	100	104	0	6.82
Ned Gasunie 11⅛ 90	75	111⅞	−0⅛	7.80
Ned Gasunie 11⅛ 91	75	108½	0	8.76
N Eng Lf Mtg 11⅛ 95	148	117	+1	8.74
Newfoundland 13 91	75	115⅝	−0⅛	8.60
Nippon Cred Bk 13⅞ 88	100	115⅞	+0⅝	7.23
Nippon Cred Bk 8¾ 93	50	89⅛	+0⅛	11.73
Nippon Tel Tel 11⅜ 90	100	108⅝	−0⅛	8.13
Nippon Tel Tel 12⅜ 91	100	117⅝	−1	8.20
Nissho Iwai 10⅝ 92	100	109⅝	+0½	8.47
Norsk Hydro 8 98	150	98⅝	+0⅛	8.19
Nova Scotia 11⅜ 91	100	106¼	0	9.86
Nova Scotia 11⅜ 98	100	113	+0½	9.77
Oester Post 12⅜ 89	75	110⅛	−0⅛	7.33
Ontario Hydro 11⅝ 94	200	121	+0½	7.70
Ontario Hydro 11⅜ 90	200	115⅛	+0⅛	7.07
Ontario 12½ 94	250	128⅛	0	7.87
Pacific Gas & El 12 00	75	115	+1	9.80
Penney J C 11⅞ 90	100	104⅞	+0⅛	10.25
Penney J C 12⅜ 91	100	112½	−0⅛	9.39
Postipankki 11½ 90	75	109⅛	−0⅛	7.83
Post-Och Kred 13½ 87	50	104⅛	0	6.24
Privatbanken 12⅜ 95	100	121½	+1⅛	8.70
Prudential Ins 12⅜ 87	150	105⅝	−0⅛	6.22
Pru Rlty Secs 0 99	365	36½	+0½	8.88
Pru Rlty Secs 11⅞ 92	386	109½	+0¼	9.43
Pru Rlty Secs 12⅜ 95	545	119⅝	+0⅞	8.71
Quebec Prov 12⅛ 94	150	115	+0⅛	9.28
Queensland Gvt 11⅛ 89	100	111⅜	+0⅛	7.08
RBC 11⅛ 90	100	108⅛	0	7.86
Rural Bk Aust 12 91	50	112	+0⅛	8.46
Sanwa Bank 11⅞ 92	150	112⅝	−0⅛	8.70
Sanwa Intl 11½ 92	100	116⅞	+0⅛	7.61
Saskatchewan 10⅜ 92	100	113	+0⅛	7.63
Saskatchewan 10⅜ 90	125	109⅝	+0⅛	7.27
Saskatchewan 11⅞ 89	100	112⅝	+0⅛	7.11
Saskatchewan 15 92	150	131⅛	+0⅛	7.96
Saskatchewan 16 89	125	117⅝	−0⅛	7.27
Scot Intl Fin 10⅜ 90	50	109⅝	0	7.80
Sears O/S Fin 0 98	500	37⅞	+0⅛	8.88
Sears O/S Fin 11⅝ 93	150	119⅝	+0⅝	7.77
Sears Roebuck 10½ 91	150	108½	+0¼	8.72
Sears Roebuck 11⅝ 91	150	114⅛	+0⅛	7.39
Sec Pacific 10½ 88	100	105⅛	0	6.63
Shearson/Amex 12⅛ 94	100	116⅛	+0½	8.89
Shell (Canada) 14⅝ 92	125	114½	+0⅛	10.68
Signal Comps 11⅜ 92	125	110⅞	+0⅛	9.17
Standard Oil 10½ 89	150	103⅛	−0⅛	8.78
Statoil 12 88	100	107¼	0	6.31
Sumitomo F A 10⅞ 90	100	110⅝	+0½	7.25
Sumitomo Fin 11⅛ 92	150	117	+0½	7.69
Sumitomo Fin 12⅜ 91	150	115⅝	+0⅛	7.44
Sumitomo Trust 12½ 92	100	117⅛	+0⅛	8.16
Sweden 8½ 94	150	103	+0⅛	7.58
Sweden 11½ 89	200	112⅝	0	6.87
Sweden 12⅝ 89	200	112⅝	+0⅛	6.68
Swedish Export 7½ 93	100	99⅛	+0⅛	7.64
Swedish Export 11⅜ 89	100	109⅛	+0⅛	6.86
Swedish Export 12⅝ 89	100	110	+0⅛	8.50
Taiyo Kobe 11⅞ 90	100	111	+0¼	8.02
Tenneco Corp 11½ 89	150	105½	−0⅛	8.52
Texaco Capital 10½ 90	200	100½	−0⅛	10.45
Texaco Capital 11⅛ 95	250	101⅛	−0½	10.89
Texaco Capital 13½ 89	200	106⅛	0	10.61
Texas Inst 11⅞ 91	150	108⅛	−0⅛	9.41
Tokai Asia 11½ 95	100	119⅞	+0⅛	8.15
Tokai Asia 12⅜ 91	100	113½	+0⅛	8.28
Tokyo Elec Pr 13⅜ 89	100	112½	+0⅛	7.91
Toray Inds 11⅛ 92	50	110⅛	+0⅛	8.45
Toronto-Dom 12⅝ 89	50	110	−0⅛	7.83
UBS Tech 11⅜ 92	150	108½	0	9.78
Veba 8 93	70	114⅝	+0¼	7.67
		250	+9	0.00
West LB 11⅞ 90	100	114	+0⅛	7.70
Westpac 12⅜ 92	100	117½	+1	8.29
Weyerhaeuser 11½ 90	60	105	−0⅛	9.90
World Bank 11 92	300	116	+0⅛	7.17
World Bank 11⅜ 90	200	114⅝	+0⅛	6.82
World Bank 11⅝ 89	200	109⅝	+0⅛	6.55
World Bank 12 93	200	123½	+0⅛	7.44
World Bank 15 88	150	112⅝	+0⅛	6.63
World Bank 16½ 88	100	117	−0⅛	6.28
Yasuda Trust 12⅜ 89	100	111½	+0½	6.86

FLOATING RATE NOTES	Issued	Price	Chg. on week	C.cpn
Allied Irish ⅛ 95	100	100	−0⅛	7⅜
Allied Irish ⅛ Perp	100	97	0	6⅝
Arab Bank Corp ¼ 96	100	98	0	6⅝
Banco di Roma ⅛ 89	150			7⅝
Bnc di Roma ⅛ 92 CU	75	99⅛	−0⅛	7⅛
BankAmerica O/S ⅛ 96	400	96⅝	−0⅛	6⅝
Bankers Tr NY ⅛ 94	200	100⅛	+0⅛	6⅝
Bank Montreal ⅛ 94 £	100	99⅝	−0⅛	11⅝
BCI 0.15 98	300	100	0	7⅛
Bqe Nat Paris ⅛ 88	400	101⅛	0	5⅞
Bqe Nat Paris ⅛ 95	400	101½	0	6⅝
Barclays O/S ⅛ Perp	600	100⅛	−0⅛	6⅛
Barclays O/S Inv ⅛ 04	350	100⅛	0	5⅝
BBL ⅛ 99	100	100	0	5⅝
BFCE ⅛ 97	400	99⅝	−0⅛	6⅝
BNP 05	300	99⅝	−0⅛	5⅝
Belgium ⅛ 04	400	100	0	6⅝
Belgium B 0.03 2011	250	100⅛	0	6⅝
CCF 97	250	99½	−0⅛	5⅝
CEPME ⅛ 96 £	100	100⅛	0	10⅝
Chase Manhattan ⅛ 00	250	99⅞	−0⅛	6⅛
Chase Manhattan ⅛ 09	400	100	0	5⅞
Chemical NY ⅛ 99	300	99⅝	−0⅛	6⅛
Citicorp O/S ⅛ 91 £	100	99⅝	0	11⅝
Citicorp Bkg ⅛ 97	250	100	0	6⅛
CNT ⅛ 00	300	100	−0⅛	6⅝
Commerzbank ⅛ 89	150	100	−0⅛	6⅝
Creditanstalt ⅛ 96	150	100⅛	0	6
Credit Foncier 97	350	100	+0⅛	6⅛
Credit Foncier ⅛ 00 £	100	100⅛	0	11⅛
Credit Lyonnais ⅛ 96	300	100⅞	0	7⅛
Credit Lyonnais ⅛ 99	250	100⅛	0	7⅛
Credit Lyonnais ⅛ 00	300	100⅛	−0⅛	6⅝
Credit National ⅛ 95 £	100	100⅛	0	10⅝
Denmark ⅛ 04	500	100½	0	6⅝
Eldorado Nuke 89	100	99⅝	−0⅛	5⅞
Elec de France ⅛ 99	400	101½	+0⅛	6⅝
ENEL ⅛ 93 £	100	100⅛	0	10⅝
Ferari 93	204	99⅝	+0⅛	6
Ferro del Stat 97	420	100	0	6⅛
Finnpap ⅛ 95	100	100⅛	0	6⅛
First Chicago ⅛ 94	100	99⅞	+0⅛	6⅝
First Chicago ⅛ 97	200	99⅞	+0⅛	6⅛
Ford Motor Cr ⅛ 91	200	100	−0⅛	6⅝
Fuji Intl ⅛ 96	200	100	−0⅛	6⅛
GW-O/S Fin ⅛ 94	100	99⅛	−0⅛	6⅛
Grindlays ⅛ 94	100	100⅛	0	6⅛
Halifax ⅛ 96 £	200	99⅝	0	11½
Ireland ⅛ 93 £	50	100⅛	0	11⅝
Ireland ⅛ 94	300	100⅛	0	6⅝
Ireland ⅛ 96 £	100	99⅞	−0⅛	10⅛
Ireland ⅛ 97	300	100	0	6⅛
Ireland ⅛ 99	300	100	0	6⅛
Italy ⅛ 94	1bn	100⅛	0	6⅛
Italy 00	500	100⅛	+0⅛	6⅝
Italy ⅛ 05	500	100⅛	0	6⅝
Lincoln S & L ⅛ 99	100	100	0	7⅝
Lloyds Bank ⅛ Perp	750	100	−0⅛	7½
Lloyds Euro ⅛ 93	200	100⅛	0	6⅛
Malaysia ⅛ 93	650	99⅞	0	6⅛
Malaysia ⅛ 05	650	94½	−0⅛	6⅝
Malaysia ⅛ 94	600	96⅝	−0½	7⅛
Man Hanover ⅛ 97	200	99⅞	+0⅛	6⅝
Marine Midland ⅛ 94	125	100	0	6⅝
Marine Midland ⅛ 09	150	100	0	6⅛
Marine Midland ⅛ 95	125	100	0	6⅛
Mellon Bank ⅛ 96	250	100	0	6⅛
Midland Int ⅛ 99	200	100	0	5⅞
Mitsui Fin ⅛ 96	100	99⅞	−0⅛	5⅝
Morgan Grenfell ⅛ 94	50	100⅛	0	6⅞
Mtg Intermed ⅛ 10 £	50	100	0	11½
Nationwide 1/10th 96	250	99⅛	−0⅛	11⅝
Nat Bank Canada ⅛ 91	50	100	−0⅛	7
NatWest ⅛ 05	400	100⅛	−0⅛	6⅝
NatWest Fin ⅛ Perp	500	100⅛	0	6½
Neste Oy ⅛ 94	100	100	0	6⅝
New Zealand ⅛ 96	250	100⅛	−0⅛	6⅛
New Zealand 2001	350	100⅛	−0⅛	5
NZ Steel Corp ⅛ 92	300			7⅛
Oster Land Bank ⅛ 99	100	100	0	5⅝
Portugal ⅛ 92	100	100	0	6⅛
Quebec Hydro ⅛ Perp	400	97⅝	−1	6⅝
Renfe ⅛ 91	100	100⅛	0	6⅝
Royal Bk Canada ⅛ 05	350	99⅞	−0⅛	6⅛
Sanwa Int Fin ⅛ 92	150	100	0	6⅝
Security Pac ⅛ 97	250	99⅛	−0⅛	6⅝
Shawmut Corp ⅛ 97	50	99⅛	0	6⅛
SNCF ⅛ 93 £	75	100½	−0⅛	11⅝
Soc Generale ⅛ 97	400	100	−0⅛	6⅛
Soc Generale ⅛ 94	250	100½	+0⅛	6⅝
Spain ⅛ 97	250	100⅛	0	6⅝
Standard Chart ⅛ 94	200	100	−0⅛	6⅝
Sumitomo Trust ⅛ 94	100	100⅛	−0⅛	6⅛
Sweden 90	700	100	−0⅛	6⅛
Sweden ⅛ 00	750	100⅛	0	7⅛
Taiyo ⅛ 04	100	100	−0⅛	6⅛
Takugin ⅛ 94	100	100⅛	0	6⅛
Thailand ⅛ 05	60	98⅛	−0⅛	6⅛
Toronto-Dominion ⅛ 92	100	100⅛	0	6½
Union Bank-Norw ⅛ 99	50	99	−0⅛	6⅝
United Kingdom 92	2.5bn	100⅛	0	5⅝
Wells Fargo ⅛ 94	150	100⅛	+0⅛	5⅞
Wells Fargo ⅛ 96	50	99⅞	0	6⅝
Woolwich Equit ⅛ 95	200	99½	−0⅛	11⅝
Yokohama ⅛ 94	100	100⅛	0	6⅝
Yorkshire Int ⅛ 94 £	75	100	0	11⅛

CONVERTIBLE BONDS	Issued	Price	Chg. on week	Prem.
Ajinomoto 3 99	120	268⅛	+1⅛	−1.28
Ajinomoto 5¼ 96	40	382	+5	−1.82
Best Denki 5⅞ 97	15	250⅛	−2⅛	−4.83
Canon 7 97	50	271½	+4	−1.18
CIR Ind 4⅝ 96	85	135⅛	+0½	−7.31
Daiwa Secs 5½ 98	60	628⅛	+60⅛	−2.48
Electrowatt 5 98	51	169⅛	+5½	−7.98
Fuji Bank 2⅛ 00	100	155½	−0½	4.24
Fujitsu 3 99	180	147½	+10	−1.18
Intec Inc 3 99	50	202⅛	+10	−5.18
Kyowa Hakko 5⅛ 97	40	414⅛	−23⅛	−7.41
LASMO 9⅛ 99	44	88⅛	0	79.05
Murata Mfg. 3⅛ 00	100	183⅛	−7½	21.20
Ono Pharm 3⅛ 98	60	267½	−6½	−4.07
Secom 3⅛ 99	80	277⅛	+0⅛	6.52
Sumitomo Corp 2⅞ 99	70	253	+16⅛	0.35
Sumitomo Tst Bk 2½ 01	150	154⅞	+0⅛	0.42
Texaco Capital 11⅞ 94	1bn	106⅞	−0⅛	51.07
Texaco Capital 11⅛ 94	500	106⅞	0	51.61
Tsumura J'tendo 5⅛ 96	30	149½	+1½	−3.47
USAIR Fin 7 98	50	114⅛	+2⅛	−0.19

YEN STRAIGHTS	Issued	Price	Chg. on week	Yield
Asian Dev Bk 7⅜ 94	15	109⅛	0	5.68
Avon Products 6⅝ 91	25	102⅛	0	6.24
Denmark 6⅝ 92	20	104⅛	−0⅛	5.65
Dow Chemical 7 94	50	102⅛	0	6.61
Elec de France 6⅞ 95	20	106⅛	0	5.83
Eurofima 7⅜ 94	10	106⅛	−0⅛	6.25
Eurofima 6⅝ 92	10	103⅛	−0⅛	5.85
FNMA 6⅞ 92	50	105	−0⅛	5.73
GMAC 6½ 90	25	103	−0⅛	5.44
Intel 6⅝ 92	12.5	100⅛	0	6.47
Int-Amer Dev 7⅛ 93	15	105⅞	0	6.78
ITT 6⅝ 92	20	103⅛	−0⅛	5.83
McDonald Corp 6½ 92	25	103⅛	−0⅛	5.78
New Zealand 7⅛ 90	15	104⅛	−0⅛	5.30
New Zealand 7⅛ 89	15	106⅛	−0⅛	5.14
Pacific Gas & El 7 94	20	104⅛	−0⅛	6.23
Penney J C 6⅛ 92	25	102⅛	−0⅛	6.02
Procter 6⅛ 92	25	103	−0⅛	5.71
Sallie Mae 6⅛ 92	25	104½	−0⅛	5.62
TRW 7 94	15	102⅞	+0⅛	6.53
Utd Technology 6⅞ 92	25	103⅛	−0⅛	5.86
World Bank 7 94	20	108⅛	−0⅛	5.62
World Bank 7⅛ 93	20	111⅛	−0⅛	5.65
World Bank 8 93	20	111⅞	−0⅛	5.68

LUXFR STRAIGHTS	Issued	Price	Chg. on week	Yield
Asian Dev Bank 6⅝ 87	400	99⅞	+0⅛	6.94
Eurofima 10 94	600	105⅞	+0⅛	8.93
E Coal & Steel 10½ 94	1bn	108⅛	0	9.29
Euro Invest Bk 10½ 94	1bn	110⅛	0	8.45
World Bank 10⅛ 89	1bn	102⅛	+0⅛	9.16

GUILDER STRAIGHTS	Issued	Price	Chg. on week	Yield
ABN 8 89	200	103⅛	−0⅛	6.04
ABN 7⅛ 89	150	104⅛	−0⅛	6.01
Amro Bank 7⅛ 89	150	103⅛	−0⅛	6.03
Amro Bank 8 89	200	104⅛	0	5.99
Bk Mees & Hope 8⅛ 89	100	104⅛	0	6.98
Beatrice Foods 8⅛ 89	100	105	−0⅛	6.10
C C Rabo 8 89	150	104⅛	0	5.93
Denmark 8⅛ 91	100	108⅛	−0⅛	6.17
Int Stand Elec 8½ 89	100	104⅛	0	6.16
New Zealand 8⅛ 89	100	105½	0	6.05

CANADIAN DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
Amex 12⅛ 91	50	104⅛	−0⅛	11.19
Aust Resources 11⅝ 92	50	106⅛	+0⅛	10.00
Bank of Tokyo 10⅞ 92	75	102⅛	+0⅛	10.24
Bqe l'Indosuez 14 91	75	113½	+0⅛	10.17
Br Col Munic 12⅛ 91	100	110⅛	+0½	8.47
Br Col Munic 13½ 91	100	114	+0⅛	9.55
Br Col Tele 12⅛ 89	70	104⅛	0	11.55
Farm Cred Corp 12⅛ 90	75	108⅛	−0⅛	10.21
Kredietbank 12 92	75	106	−0⅛	10.41
LongTerm Cd Fn 11⅛ 90	75	104½	−0½	9.97
Montreal City 12⅛ 91	50	107½	0	10.02
New Brunswick 12 95	75	112⅛	+0⅛	9.68
Nova Scotia 11⅛ 95	100	110⅛	+1⅛	9.71
Quebec Hydro 14 91	75	106⅛	0	11.93

ECU STRAIGHTS	Issued	Price	Chg. on week	Yield
ABN 9½ 92	100	103⅛	0	8.59
Australia & NZ 10⅛ 91	50	104⅛	+0⅛	9.33
Austria 10⅛ 93	100	111½	−0⅛	8.16
BFCE 9⅛ 92	100	108⅛	−0⅛	7.65
Cred Lyonnais 6⅛ 92	175	94½	+0⅛	7.07
Cred National 10⅛ 94	60	109⅛	−0⅛	8.62
Cred National 11⅛ 91	50	108⅛	+0⅛	8.88
Denmark 10⅛ 91	75	102⅛	+1⅛	10.04
Ebco Intl 10⅞ 89	65	143⅛	+0⅛	9.07
EEC 11 93	50	102⅛	+1	10.35
EEC 11⅛ 91	50	106⅛	+1⅛	8.89
EEC 11⅛ 93	70	101⅞	+1⅛	10.82
Euro Invest Bk 9⅛ 95	200	104⅞	0	8.39
Euro Invest Bk 10⅛ 94	130	112⅛	+0⅛	7.83
Euro Invest Bk 10⅛ 89	50	103⅛	+0⅛	8.76
Euro Invest Bk 10⅛ 94	100	108½	+0⅛	8.96
Euro Invest Bk 11⅛ 92	75	110⅛	+0⅛	8.72
Euro Invest Bk 11⅛ 93	50	107⅛	+1	9.56
Genfinance 11 90	70	106⅞	+0⅛	8.78
Giro Vienna 10½ 93	60	110⅛	0	8.52
GTE Finance 10⅞ 92	60	105⅛	+0⅛	9.46
Ireland 10⅛ 95	50	106⅞	+0⅛	9.01
Italian Govt 10½ 92	600	110⅛	+1⅛	8.25
Italian Treas 11½ 90	600	109⅞	+2⅛	8.39
Italy 9⅛ 89	200	104½	+0⅛	7.23
Kredietbank L 9⅛ 92	75	103⅛	−0⅛	8.53
Morgan Gty Tst 8½ 90	100	103	−0⅛	7.53
Nippon Cred Bk 11 91	50	105⅛	+0½	9.42
Post Och Kred 10⅞ 92	50	99⅛	−1⅛	10.94
Royal Bk Can 10.5 89	65	103⅛	+0⅛	8.84
SNCI 10⅞ 94	60	107⅛	+0⅛	9.36
Swedish Export 11 89	57	104	+0⅛	8.92
West LB 10⅛ 91	50	104⅛	+1⅛	9.60
World Bank 10⅛ 88	100	103½	+0⅛	8.61

AUSTRALIAN DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
Comm Bk Aust 12⅞ 90	200	97⅛	+0⅛	13.58
Nat Aust Bk 12½ 89	40	95⅛	0	14.93
PIBA Bk NSW 12⅛ 89	50	95⅛	0	14.66
State Bk NSW 12⅛ 89	40	95⅛	0	14.51

STERLING STRAIGHTS	Issued	Price	Chg. on week	Yield
BAT Intl 10⅛ 91	100	97⅛	+0⅛	11.36
Denmark 10⅛ 89	75	99⅛	+0⅛	10.81
EEC 11⅛ 94	50	100⅛	+0⅛	11.33
Europarat 11⅛ 92	50	99½	−0⅛	11.57
Euro Invest Bk 10⅛ 92	50	98⅛	−0⅛	11.22
Finland 11⅞ 88	50	101	+0⅛	11.15
Grand Met Fin 10⅞ 90	50	99⅛	+0⅛	11.10
ICI 10⅛ 92	75	97⅛	+0⅛	11.43
Int-Amer Dev 11⅛ 91	60	100⅛	+0⅛	11.26
Int Stand Elec 11⅛ 89	50	99	+0⅛	11.65
Ireland 11⅛ 94	50	97⅛	+0⅛	11.84
New Zealand 10⅛ 89	100	98⅛	0	11.18
SNCF 11⅛ 94	60	99⅛	+0⅛	11.35
World Bank 10⅛ 89	100	99½	−0⅛	10.81
World Bank 10⅛ 89	50	99½	−0⅛	10.82
World Bank 11 94	50	99	−0⅛	11.19

EQUITY WARRANTS	Expiry date	Price	Chg. on week	Prem.
Casio Computer	6/3/89	49	−1½	−91.80
Credit Suisse	31/5/88	108½	+0⅛	−39.91
IC Industries	15/6/88	89	+12½	7.32
International Pirelli	14/6/88	109	−1½	−1.41
Nomura Securities	31/10/88	0		
Prudntl O/S Fndg	15/12/88	0		
Renown	24/1/89	29	+4⅛	−91.07
Seino Transportatn	17/3/89	0		
Siemens Watrn Fin	19/6/92	222½	+19⅛	11.81
Sony Corp	26/4/90	23	+3	−87.49
Swiss Bank Corp.	20/12/88	129	−3	−0.81
Swiss Volksbank A	1/12/88	585	−5	2.90
Union Bk Switz A	30/11/89	32	−1	18.99

BOND WARRANTS	Expiry date	Price	Chg. on week	Ex. yield
Aegon Ins 11⅛ 91	15/2/88	107⅛	+5½	8.22
Coca Cola 11⅛ 91	29/11/88	131⅛	+6	8.06
Dart Kraft F 10⅛ 96	1/1/96	27	+1⅞	9.78
D Norske C 11⅛ 91	1/2/88	104	+6⅛	8.18
Eksportfinas 13⅛ 89	15/9/87	140	0	7.45
Holland Air 11⅛ 91	10/8/88	82	−1	9.67
Ind Bk Jpn 12⅞ 91	5/10/89	186½	+15½	8.05
Mitsbishi Fn 12⅛ 91	8/11/89	176½	+14½	8.13
J P Morgan 11⅛ 90	16/8/87	87⅛	+1⅛	7.90
Texaco Cap 12⅞ 92	1/9/87	69⅛	+0⅛	11.14
Wls Frgo A 12⅛ 91	27/12/89	179	9⅛	8.16
Weyerhsr C 11⅛ 90	15/11/87	92⅛	+1⅛	8.16

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions.

FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=current coupon.

CONVERTIBLE BONDS: US dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.

WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price.

Closing prices on December 5.

Hogg Robinson agrees to divest Janson Green

BY CHARLES BATCHELOR

Hogg Robinson, the insurance broking group, has agreed to divest Janson Green, one of the most prominent insurance underwriting agencies at Lloyds of London, for a share in its next six years' profits totalling more than £13m before tax.

Hogg has been negotiating the terms of this deal for the past seven months with the management of Janson Green, which includes Sir Peter Green, former chairman of Lloyd's

Janson Green has contributed a substanutial part of Hogg's profits in recent years and the broker was anxious to minimise the impact of the divestment on its profits.

Four years ago Janson Green contributed about 25 per cent of Hogg's pre-tax profit but this had fallen to only 14 per cent of the £14.7m profit in the year ended March 1986.

Hogg owns 20 per cent of the voting shares of Janson Green and 100 per cent of the non-voting shares. Like other Lloyds' brokers it must divest itself of its interest in underwriting agencies by next July in accordance with the 1982 Lloyd's Act.

Hogg will ask its shareholders to approve the deal at a meeting on December 18.

In a letter to shareholders Mr Albert Wheway, Hogg chairman, said a number of possible solutions had been considered but they had been rejected by Janson Green's management.

Hogg wanted some level of contribution to profits to continue for a few years while it expanded its other activities.

A second smaller underwriting agency, Gardner Mountain and Capel-Cure Agencies, will be sold its management on a similar basis.

The two sides have now agreed for Hogg to receive 90 per cent of the first £1.75m of profit commission in the year ending March, 1987 (year of account 1984), 50 per cent of the next £500,000 and 5 per cent of the rest.

By 1991-9.. (year of account 1989) the amounts due to Hogg will be 80 per cent of the first £2m, 50 per cent of the next £2m and 5 per cent of the rest. Corporation tax will be deducted.

Janson Green contributed £2.47m to Hogg's profits in the year ended March, 1986. If the amounts agreed for the first year of the divestment arrangement had applied to last year, profit commision receivable by Hogg before tax would have been £1.83m.

Janson Green and an associate company, Crescent, manage four syndicates, numbers 932, 1031 (ex 231), 386 and 936. They had a combined marine and non-marine premium capacity of £187m in 1986.

Nikki Tait on LCP's efforts to fend off Ward White's £143m bid

David Rhead attempts to woo the City

A WEEK of institutional canvassing stared David Rhead, the LCP chairman, in the face. "I'm a manager," he muttered woefully. "All this piddling around in the City isn't quite my cup of tea."

Yet even Rhead admits that a little more wooing of the City in the past might have left LCP better placed to fend off the £148m bid intentions of Philip Birch's Ward White.

Persuading key institutions, who hold around 70 per cent of the shares, that today's LCP contains some attractive — certainly saleable — businesses may not prove too difficult. Persuading them that LCP has a coherent corporate strategy and that current management is the best-placed to run it, looks a tougher task. And with the second closing date looming on Friday, the pressure is very much on.

Rhead, like his company, is "Brum" to the core. Handsworth-born, Birmingham-educated, his working life started with a small firm of local accountants. After stints with Allied Bakeries and a couple of larger accountancy firms, he headed for Hickmans, a Black Country construction business, as finance director. *Within a year, LCP—Lunt,* Comley & Pitt as was—took it over.

"In those days," explains Rhead, "LCP did everything—provided it was within 15 miles of Brierley Hill." Money for that local conglomerate policy came from the nationalisation of the family-owned coal mining business in 1946. Then-chairman Peter Pitt started distributing coal from old aircraft hangars which the company brought up. The hangars became industrial estates, and a host of other businesses were tacked on.

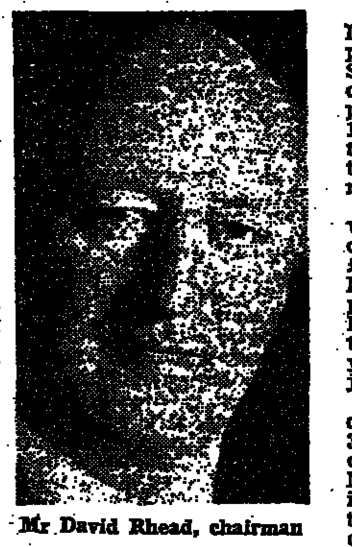
Rhead took control when Pitt retired in 1975. Phase one of his corporate plan was to pull LCP out of manufacturing; phase two, to diversify out of the Midlands.

Eleven years on, he can fairly claim that both objectives have been achieved. Manufacturing, around one-fifth of the company's activities when Rhead took over, has gone altogether. Over 50 per cent of earnings now come from outside the Midlands area.

It was in 1979 that LCP bought a stake in Whitlock, the US car parts retailer, which is the main attraction for Ward White. In 1981 it became a wholly-owned subsidiary for a total cost of $24m.

Over a decade after taking control of a rambling mini-empire, Mr Rhead and his fellow directors have ended up with two on-going operations—a UK property portfolio and an *American car parts retailing* chain.

Which leaves the City asking two questions: does Mr Birch's curent bid offer enough and can LCP's management provide anything which Ward White's can't?



Mr David Rhead, chairman

On the first point, the answer seems to be "not quite." LCP's share price closed last week at 186p, compared with Ward White's 180p cash alternative. Ward White shares, by contrast, had a rough ride, finishing at 296p; that makes its paper terms worth just 173p per LCP share. By the first closing date *there were the customary* minimal acceptances—0.4 per cent—and there has been no shortage of analysts baying for higher terms, some even suggesting that 220p a share would fairly reflect the value of LCP's businesses.

Conveniently for everyone, LCP downvalued its property portfolio £50.25m last March. Since then, though, it has taken over Birmingham holding company E. F. Smith, giving it a 112-acre site in Lichfield and two factory sites in Bristol—total value around the £4m-mark.

So if those property interests were to fetch £55m and the coal distribution business a further £10m, Mr Birch—after clearing his CGT slate—appears to be paying around £95m for Whitlock. If Whitlock makes pre-tax profits of around $11m this year, the prospective exit PE is just under 20.

Generous? Whitlock's current operation covers 91 stores, in 30 cities and 10 states, principally in the mid-West and North-east. Average store size is 12,000 sq ft but around half the total consists of superstores carrying a hefty 20,000 lines.

One quarter of each store is devoted to backroom space, where the bulkier, more valuable spare parts are stored; the rest consists of floats housing anything from paint to plugs. For real car fanatics, the superstores even offer a library service stocked with technical manuals.

In terms of profits, the *formula has been a success. The* pre-tax contribution has risen steadily from $5.1m at end-March 1983 to $7.9m last year —an annual compound growth rate of 14.5 per cent. But total selling area during the same period has almost doubled to *just over 1m sq ft,* with an opening programme of 8-10 stores a year, plus acquisitions.

Since LCP claims that it takes three years for a store to reach its full profits contribution, the company's followers predict a forthcoming growth rate closer to 25 per cent.

There will almost certainly be other boosts as well. LCP has already announced a move into the densely-populated Florida market with the $9m purchase of Rose Auto, a 55-strong chain. There are mutterings of East Coast negotiations.

But Whitlock should also be seen against the US car parts market generally. The average age of an American car is seven to eight years old. There are 135m of them and the market is still apparently expanding. Around 9 per cent of American household income is reckoned to go on the "auto aftermarket." The market is estimated to be worth £70bn.

Yet profits experience appears mixed. The biggest player — Pep Boys — has been highly successful, with net income before tax up from $6.3m to $34.8m over the past decade, and is opening stores at a rate of 25 a year.

But LCP argues that the *Pep Boys* model is in sharp contrast to some other players —there is no national chain— like *Trak Auto* or Fays Drug who have found trading much tougher recently.

The problem is that no matter how convincingly LCP sells the merits of its US operations, the fact remains that its management is largely decentralised from LCP's UK base. Although the Whitlock management have said they are less-than-happy with certain aspects of the Ward White bid, even Mr Rhead cannot say that they would defect en masse if Mr Birch took control.

But Mr Rhead has an air of Midlands grit to him. He concedes that the company may not have been the fastest mover in recent years, but says defiantly of Birch, "We'll give *him a good* run for his money." There are even hints that he would prefer to see the business broken up if a rival consortium bid could be engineered, than allow Ward White control.

LCP PROFITS BREAKDOWN

Division	Trading profit (£m) Year ended March 31 1986	1985
UK		
Investment property	3.94	3.58
Property development/construction	0.45	0.17
Distribution	1.82	1.85
US		
Autoparts retailing	6.47	6.47
France		
Fixings and allied products	0.68	0.66
Central costs	(0.76)	(0.70)
TOTAL	12.6	12.0

Anglo Nordic cuts losses

Anglo Nordic Holdings, engineering and property group, reduced its pre-tax losses from *£452,000 to £195,000 in the six* months to September 20, 1986. No interim (0.4p) is being paid, but consideration will be given to a final when results for the full year are known.

Results for the first half—which, for the first time, include figures from the Petbow Group of companies—showed a small profit at the trading level before writing off £206,000 of unrealised losses on foreign currency borrowings in the UK.

Group turnover rose from £25.63m to £35.65m.

Share Stakes

The share stakes column will now appear weekly in Tuesday's edition of the Financial Times, rather than on Mondays.

Lewmar

In the FT of November 29 Lewmar's interim pre-tax profits were incorrectly stated to be £1.18m. The correct figure is £1.82m.

T. COWIE subsidiary Interleasing (UK) has bought Foley Self Drive in Kidderminster, Worcester and Shrewsbury for £3.83m cash. Foley reported net profits of £550,000 in year *to November 30 1985.*

Parkdale £6.8m rights

Parkdale Holdings, the property investment and financial services group, is raising some £6.8m net by an underwritten rights issue. The group had further major schemes in hand, and the additional capital would increase the flexibility and speed with which the directors could respond to new opportunities.

News of the rights came with the results for the half year ended October 31 1986, showing a lift in pre-tax profit from £50,000 to £501,000 mainly stemming from a £468,000 surplus on disposal of properties.

The directors said there was every confidence that the group would continue to progress. They have raised the interim dividend to 0.8p (0.375p) net and forecast a final of not less than 1.2p (1.225p) on the higher capital.

The rights is on a one-for-one basis at 66p per share, payable in full by January 14.

During the half year the Denton Park shopping centre in Newcastle-upon-Tyne was sold.

In the half year turnover rose from £515,000 to £965,000. A split of the profit showed property rental £215,000 (£218,000), financial services loss £14,000 (£20,000) and disposal of profits £468,000 (nil), less interest and central *costs £168,000 (£147,000).*

Anthony Moreton looks at a change of direction at a leading British textiles group

Tootal stitches together a new strategy

IN THE space of just five weeks Tootal has unveiled two sizeable takeovers which underline a radical change of direction at the Manchester-based threads and textiles group.

Last week it announced the $33m (£22.7m) takeover of the threads interests of Standard-Coosa-Thatcher, one of the big five US industrial threads manufacturers, and in October it made an agreed £18.5m offer for Sandhurst Marketing, which markets and distributes stationery and office equipment.

The two deals are part of a switch of emphasis from pro*duction-led to market-led* growth, and from textile manufacturing to international distribution and marketing.

As the Sandhurst acquisition shows, Tootal is keen to lessen its dependence on textiles — a policy underlined by a third purchase earlier this year, of Clover Leaf, a family-owned manufacturer of table mats and melamine kitchenware, allowing it to add co-ordinated ranges of homeware products to its soft furnishings.

The policy was put in train some four years ago by Mr Alan Wagstaff, the group's 62-year-old chairman, who has overseen a major rationalisation—despite the distractions of an unsuccessful £124m takeover bid for the company early last year by Entrad, a large Australian textiles group.

But the change has acquired added momentum since the arrival of 50-year-old Mr Geoffrey Maddrell last February from Bowater Industries as managing director and heir-apparent to Mr Wagstaff.

The *popular image of Tootal* as primarily a manufacturer of sober ties and shirts is way out of date. Textiles products range from Slimma clothes, which go to Marks and Spencer, to Osman towels and home furnishings, while threads is the largest part of the group, accounting for more than half of profits.

The swoop on Standard-Coosa-Thatcher fulfils an important part of its international threads strategy, which is to move out of commodity business—the cheap end of the trade which can be done most profitably in the Far East—and into the higher-value-added spinning end. In the west, branded goods, fashion content, colour make-up and quality are vital ingredients.

Mr Geoffrey Maddrell, managing director

Tootal is already strong in both the UK, and the Far East, where it has companies in the Philippines, Hong Kong, Sri Lanka and Malaysia, as well as further south in Australia. SCT gives it added strength in the US too.

Tootal moved the headquarters of its international thread operations from Manchester to Stanford in Connetticut four years ago but its American Thread subsidiary has not been the happiest of places. The concern was making under 10 per cent net on its capital.

The US is large and profitable but difficult. The big clothes manufacturers, such as Levi Strauss and Wrangler do not necessarily want instant delivery, and the thread concerns supplying them do not necessarily have to supply out of stock.

The smaller clothes manufacturers, however, are more interested in colour and quality than price and want supplies yesterday. To supply them the manufacturer needs a distribution system geared to the customer's needs.

American Thread had the reverse of what was wanted. One distribution centre unable to meet the quick deliveries so many of the customers were calling for.

The takeover of SCT, which will create the largest industrial thread concern in the US by a comfortable margin, with annual sales of $130m (£90m), gives Tootal a large number of new customers, one more plant, 400 extra workers and a distribution system to match its needs. It is no coincidence that the takeover has been accompanied by a management shake-up at American Thread with a large infusion of new blood.

SCT will also help because, while American Thread has been running at just 60 per cent capacity in new plants, Tootal is taking only one of SCT's nine units. In future, American Thread will be operating virtually at full capacity and productivity is expected to raise 40 per cent from $50,000 a man a year to $70,000.

But with the acquisition the spate of takeovers has come to an end, at least for now. "It is time to concentrate on ensuring that they work," says Mr Maddrell. "We were vulnerable in the US and we had to make that structural change. But now we have to perform and convince the market we are going places."

Tootal's profits have already shown the benefits of rationalisation, rising 20 per cent at the pre-tax level to £27.4m in the year to last January. Its interim figures saw only a modest advance, from £9.7m to £10.1m and the full-year will show little of the benefits of the takeovers.

Mr Maddrell knows that the pressure will be on for Tootal to prove the value of its new strategy in the next financial year and, he says, "I don't intend to fail."

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus *) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year
*Assoc Paper Inds	Dec 10	Final 4.0
*BOC	Dec 11	Final 5.53
*BT	Dec 11	Interim 3.0
*Charter Cons	Dec 10	Interim 3.75
*Dee Corp	Dec 11	Interim 2.8
*Dobson Park	Dec 8	Final 3.31
*English China Clays	Dec 15	Final 7.0
*Granada	Dec 9	Final 4.57
*Grand Metropolitan	Dec 18	Final 6.0
*Greenall Whitley	Dec 8	Final 2.853
GUS	Dec 12	Interim 7.0
Greycoat	Dec 12	Interim 0.95
London Merchant Securities	Dec 19	Interim 0.75
*Meyer Intl	Dec 9	Interim 1.95
*Norcros	Dec 9	Interim 2.8
*Pilkington Bros	Dec 8	Interim 5.0
RHP	Dec 12	Final 2.6
*Rothchild (J.)	Dec 17	Interim 2.2
Siebe	Dec 16	Interim 4.08
Stakis	Dec 11	Final 0.8
*Vaux	Dec 9	Final 7.321
*Whessoe	Dec 11	Final 3.0
*Wolverhampton and Dudley Brew	Dec 8	Interim 5.7

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

BOARD MEETINGS

TODAY

Interims:—BBB Design, Beaverco, British Benzol, Compsoft, F. and C. Alliance Investment, Gilbert House Investments, Greenall Whitley, Jack L. Israel, Northamber, Osborne and Little, R. W. Toothill, Vinten.

Finals:—Matthew Brown, Hardanger Properties.

FUTURE DATES

Interims:—	
Airsprung	Dec 10
Applied Holographics	Jan 26
Bogod-Pelepah	Dec 9
Brown and Tawse	Dec 18
Celestion Industries	Dec 10
Gee/Rosen Organisation	Dec 11
Investment Co.	Dec 12
Lovell (GF)	Dec 12
Richards	Dec 15
Scottish and Newcastle Brews.	Dec 16
Southwest Resources	Dec 22
Wagon Industrial	Dec 11
Wood (S. W.)	Dec 12
Finals:—	
Cardiff Property	Dec 16
Electronic Data Processing	Dec 12
Equity and Law	Mar 24
Hawtin	Dec 16
Kelsey Industries	Dec 17
Micro Scope	Dec 10

FT SHARE INFORMATION

The following securities have been added to the Share Information Service:

Baker Harris Saunders (Section: Property)
Blenheim Exhibition (Paper, Printing)
Ewart New Northern (Property)
Joel (H. J.) Gold Mining (Ord, "A" Option 1987, and "B" Option 1988) (Mines)
Local London Group (Property)
Mecca Leisure (Leisure)
Miller & Santhouse (Drapery & Stores)
National Business Systems (Canadians)
Owen & Robinson (Drapery & Stores)
Rotunda (Industrials)
TSB (Banks)
Whinney Mackay-Lewis (Paper)

CONSTRUCTION

Midlands leisure complex

Sixteen of Britain's major contractors have been asked to bid for building what is planned to be the largest shopping centre and theme park in Europe, the £500m Sandwell Mall in the Midlands.

The Mall is to be built on a former British Coal open cast mining site in the Black Country, at Sandwell near Birmingham.

It will have 5.5m sq ft of shopping space and leisure facilities.

These will include a Crystal World funfair complete with scenic rides based on Arthurian legends, a 10,000 seat arena, ice skating rink, and a five-acre water park with 25 rides including a kamikaze trip and water flume, said architect Mr John Rudge of the Percy Thomas Partnership.

When complete, the Mall is designed to be the same size as the West Edmonton Shopping Mall in Canada which is currently the world's largest shopping and leisure complex, he said.

The Mall is being developed by the Metropolitan Borough of Sandwell and Color Properties, a local company based in Stratford-upon-Avon, Warwickshire, and owned by developer Mr Igor Kolodotschko.

The architects have asked sixteen contracters, including Laing, Wimpey, Tarmac, Mowlem, Rush and Tompkins, Taylor Woodrow, Costain and Bovis to declare whether they are interested in bidding for the first £150m phase of the project.

This will be a management contract to include four department stores and smaller shops, the sports arena and a food court, to be opened in 1990.

The plan is that the first phase contract will be awarded at the end of April 1987 for construction work to

Camden housing

A £7.8m contract for housing on the site of Russell's Nurseries, Camden, has been awarded to JOHN MOWLEM & CO. The project comprises 16 blocks and includes two-person flats with a luncheon club, communal facilities and a warden's flat, further blocks of flats with a self-help group, maisonettes and houses, some designed to accommodate wheelchairs. There will be a total of 195 homes. Construction will be on bored piles with reinforced, in situ concrete floor slabs, facing brickwork and block cavity construction with pitched, tiled roofs. The work also involves the development of adjacent leisure woodland.

£72m orders for Trafalgar House

The building and civil engineering division of TRAFALGAR HOUSE has secured £72m of building, construction and civil's contracts. Heading the list is a £19.6m contract awarded to Trollope & Colls Construction by the Legal & General Assurance Society for an eight-storey development at Leadenhall Court, Leadenhall Street, EC3. The office accommodation is due for completion in February 1989.

For Trollope & Colls Management work includes a £13m fitting out contract for Lloyds Bank at Hays Galleria, Tooley Street, SE1. The contract is to be carried out under the fast track method and is due for completion in the spring. When complete the building will provide 16,000 sq metres of office accommodation, executive suites and a staff restaurant. A £3m refurbishment contract is to be carried out for Lloyds Bank at 100, Pall Mall, SW1. A £1.5m project has been awarded by Pergamon Holdings for the refurbishment of the ninth and 10th floors of Strand House, 8-10, New Fetter Lane, EC4. Bulkhaul has awarded a £500,000 design and management contract for the construction of a three-storey office building, workshops and ancillary works in Middlesbrough, Cleveland.

Further awards to Trollope & Colls City include a £3m contract from Hendersons Administration for the fitting out of No. 3 Finsbury Avenue, EC2. The refurbishment of Radnor House, 1272 London Road, SW16, a £1.2m contract, is to be completed by July 1987 for the Liverpool Victoria Friendly Society. Two maintenance awards, placed by Shell (UK), are worth £10m for five-year contracts at Shell Centre, York Road, SE1, and Shell-Mex House, Strand, WC2.

National contractor Willett has secured contracts totalling £10.7m. They include awards of £1.5m for infrastructure works at Ancells Park, Fleet, Hampshire and the construction of a road at Southfields Business Park, Basildon, Essex, for Trafalgar House (Industrial) Developments and the stage one development of a spine road at Brooklands Industrial Park, Byfleet, Surrey, for Oakimber.

For Inter Centre Developments Willett is to construct a supermarket shell, five shops, a multi-storey car park and eight flats in Fulham's Heckfield Place at a cost of £2.8m. Close by, Trafalgar House Developments has commissioned Willett to design and build a five-storey office block worth nearly £1.5m. In the City of London, work has started on a £4.9m plus maintenance, distribution and office centre on a former railway siding for British Telecom.

In Scotland, Cementation Construction has been awarded contracts totalling £7m. The largest project, for the Property Services Agency, worth £3.5m, is for perimeter fence upgrading at RNAD Coulport. Also included is a £1.5m contract for further fencing, a £500,000 contract for the hardening of a building and a £600,000 contract for the construction of married officers quarters.

FINANCIAL TIMES STOCK INDICES

	Dec. 5	Dec. 4	Dec. 3	Dec. 2	Dec. 1	Nov. 28	1986 High	1986 Low	Since Compilation High	Since Compilation Low
Government Secs.	81.64	81.21	81.55	81.23	81.13	81.75	94.51	80.39	127.4	49.18
Fixed Interest	88.49	88.43	88.58	88.41	88.38	88.55	97.68	86.55	150.4	50.53
Ordinary	1268.5	1265.9	1269.1	1278.4	1272.5	1292.5	1425.9	1094.3	1425.9	49.4
Gold Mines	326.3	331.8	317.0	322.9	331.8	314.5	357.8	185.7	734.7	43.5
FT-Act All Share	806.52	804.87	807.02	811.28	807.41	815.34	832.39	664.42	832.39	61.92
FT-SE 100	1613.5	1610.1	1615.1	1625.5	1617.8	1636.7	1717.6	1370.1	1717.6	986.9

APPOINTMENTS

Hoover UK managing director

Three appointments have been made by HOOVER following the decision of chief executive Mr Harry Hill to retire in the new year. Mr Tony Williamson is becoming managing director of Hoover UK, responsible for the operations in the UK and Eire, Mr Tony Simpson, managing director of Hoover Europe, responsible for all Hoover companies on the continent of Europe, and Mr David Perkins finance director Hoover eastern region, responsible for the financial direction of all Hoover companies in the eastern region.

*

JETSET TOURS has appointed a new managing director for its UK company. Mr Allan Deller will join the group on January 1. He was marketing and commercial director of British Caledonian. This appointment follows the decision of current managing director, Mr Eric Engledew, to reduce his work-load. Mr Engledew will be retained as a consultant.

*

Mr Richard Sermon has been appointed chairman of SHANDWICK CONSULTANTS. He continues as managing director. Mr Colin Trusler has been appointed deputy managing director. Mr Robin Callender Smith, Mr Simon Clark and Mr Keith Lockwood have been appointed directors, and Mr Tim Pendry, formerly managing director of Edelman Dale Financial, will join the board on January 3.

*

Joining the board of the BRITISH STEEL CORPORATION are Dr Frank Fitzgerald as a full-time member in addition to his present duties as managing director, technical, of BSC and as chairman of BSC *(Overseas Services)*, and Mr Hugh Runciman as a part-time member. He is chairman of Shanks and McEwan Group.

*

Lord Luke, who was appointed chairman of GATEWAY BUILDING SOCIETY in 1978, is to retire as a director on December 31. Mr C. John Crowe will replace him as chairman from January 1. Mr Crowe joined Gateway's board in September 1985, following his retirement as treasurer and chief financial officer with ICI.

*

LOMBARD TRICITY FINANCE, a member of the National Westminster Bank Group, has appointed two directors. Mr Tejen Majumdar will have overall responsibility for both administration and financial affairs while remaining company secretary. Mr Tony Hart will have overall responsibility for management information services.

*

CHARLES BARKER has appointed as company secretary and legal adviser Mr Paul Kendall, who comes from Southern Electricity where he was solicitor to the board.

TOP HAT FOODS, Dundee, has appointed three senior employees to its board; Mr Brian McGregor becomes sales and marketing director, Mr Ray Parkinson becomes operations director and Mr Colin Thomson becomes financial director.

*

Mr John Davidson retires as chairman of PHOENICIAN HOLDINGS from December 31 while remaining a director. He is also chairman of Phoenician executive committee and a director of Chancellor Insurance Company, a wholly-owned subsidiary. From January 1 Mr Anthony Mason becomes chairman and chief executive of Phoenician Holdings. He remains a member of Phoenician executive committee and a director of Chancellor Insurance Company. Mr Malcolm Aikman is appointed chief financial officer of Phoenician Holdings and remains secretary.

Mr D.J. Riordan is appointed finance director of MOBIL OIL UK, refining and marketing affiliate of Mobil Oil Corp. He replaces Mr R.L. Howard who retires at the end of 1986. Mr Riordan was controller.

*

Following the amalgamation of Sperry and Burroughs to form UNISYS Mr Richard Close becomes director of finance. He was finance director of Sperry. Mr Mel Smaje is made director of human resources. He held a similar post with Burroughs. Mr Chris Evans is appointed director, management services. He was personnel and facilities director of Sperry. Mr Peter Macleod is director of strategic planning. He was director of marketing for Burroughs. Mr Charles Robinson becomes executive assistant to the vice president. He was marketing planning manager with Sperry.

Rippon joins board of BPCC

BRITISH PRINTING AND COMMUNICATION CORPORATION has appointed Mr Geoffrey Rippon as a non-executive director of BPCC and a non-executive director of Pergamon Holdings. Mr Rippon has been for many years non-executive chairman of Brassey's Defence Publishers, a wholly-owned subsidiary of Pergamon. Mr Patrick Morrissey has joined the BPCC group board in the new post of managing director: group marketing. He will continue as managing director of Mirror Group Newspapers. PERGAMON HOLDINGS has appointed Mr Patrick Dawnay as executive director from January 1 when he is leaving Morgan Grenfell. He is vice-chairman of Morgan Grenfell Laurie (Holdings).

★

Mr Robert McCormick has joined the board of THE COMMUNICATION GROUP. He was previously a director of City Marketing.

★

Mr Clive Crooks has resigned as marketing director of Lederle Laboratories (UK) to start up a new biotechnology company, XENOVA. Mr Crooks is managing director and co-founder with the company's research and development director, Dr Louis Nisbet, formerly of Smith Kline and French.

★

WRIGHT AIR CONDITIONING (PRODUCTS), Birmingham, has appointed Mr Michael Brown as export sales director. His post as managing director has been taken over by Mr Allan Hayward, previously managing director of Wright Air Conditioning (Birmingham). Mr Alan Parker has joined the group to succeed Mr Hayward.

★

GASKELL BROADLOOM has appointed Mr John C. Kay as financial director from January 1. He will continue to be company secretary.

★

Mr Ian C. Ferguson has been appointed an executive director of WIMPEY CONSTRUCTION UK. He will be primarily responsible for London operations. He was Birmingham regional manager.

★

Mr Russell Wides has been appointed to the board of Sheffield-based brewers S. H. WARD AND CO as tied trade director. He was a regional director with Mecca Leisure.

★

Mr Bryan May, formerly head of Eurobond and sales at J. Henry Schroder Wagg and Co, has been appointed a director of SARASIN INTERNATIONAL SECURITIES.

★

Mr John Earp is the new regional general manager (western hemisphere) at LONDON TRANSPORT INTERNATIONAL, consultancy arm of London Regional Transport. He has also been appointed senior vice-president of LTI Consultants Incorporated — the American subsidiary. Mr Earp joins from the Olayan Transportation Group in Saudi Arabia, where he was general manager.

★

Mr A. A. Nash of PaineWebber International Inc has been elected chairman of the UNITED KINGDOM ASSOCIATION OF NEW YORK STOCK EXCHANGE MEMBERS in succession to Mr John T. Powell of Shearson Lehman International who is retiring from the City. Mr Miles Morland of The First Boston Corporation has been elected deputy chairman.

★

THE ASSOCIATION OF FUTURES BROKERS AND DEALERS has reconstructed its council. The following took office as directors: chairman—Mr Derek A. Whiting, chief executive — Mr Alistair Annand. Elected members: Mr Julian C. D. Briggs, E. D. and F. Man International; Mr Nicholas J. Durlacher, Barclays de Zoete Wedd Futures; Mr John Jarvis, National Westminster Financial Futures; Mr Michael R. Liddiard, C. Czarnikow; Mr Philip F. Lynch, Shearson Lehman Brothers; Mr John Panton, Midland Bank; and Mr William J. Smit, E. F. Hutton and Co (London). Nominated members: The London Metal Exchange — Mr Michael E. Brown, Mr Patrick J. M. Fearson, and Mr Francis L. Holford; The London *Commodity Exchange* — Mr Christopher J. Sharples, Mr Anthony S. Rucker, and Mr Mark P. Fox-Andrews; The London International Financial Futures Exchange—Mr A. David Burton, Mr John L. Foyle, and Mr Jack Wigglesworth; The International Petroleum Exchange of London — Mr Derek A. Whiting; The Grain and Feed Trade Association—Mr William J. Englebright.

★

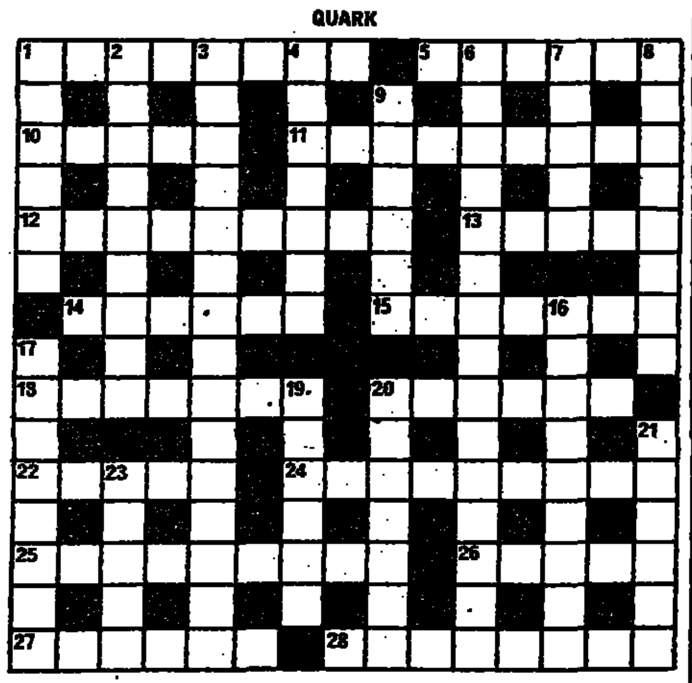
Mr Graeme Brook, formerly sales and marketing director of F. K. I. Electricals joins RING ELECTRONICS as managing director.

AUTHORISED UNIT TRUSTS

FT UNIT TRUST INFORMATION SERVICE

FT CROSSWORD PUZZLE No. 6,197

QUARK



ACROSS

1 Setting aside everyone in debt? (8)
5 Vessel in form of tin is an outdated thing (6)
10 Root for instrument that we can hear (5)
11 A company target could be to keep men warm (9)
12 Revise model with debts (that's agreeable to the ear) (9)
13 To record speed in the tube? (zero in P.M. once) (5)
14 Fish in pie? No, the opposite is followed (6)
15 Arbiter employed said "No!" (7)
18 Could describe Lamb. Chap's a learner? Not so (7)
20 Group of individuals—firm, tho' right perhaps (6)
22 Gosh! Enjoyment's short on this island (5)
24 Stalk the bird for an unofficial opinion (5, 4)
25 Great length of life is about gravity in instability (9)
26 Ex-BBC man about to hit out (5)
27 Get the message? Fish in the river (6)
28 Me in RADA, playing? (Not a reality) (2, 1, 5)

DOWN

1 Fall, when in a state? (6)
2 Louis'll be upset by such a statement (9)
3 Planet losing time? (5, 7, 3)
4 Rodin, for example, sculpted—belonging to certain group (7)
6 Very happy on Everest? (2, 3, 2, 3, 5)
7 Cast can be so hot (5)
8 Trite remark topping off freedom of thought (8)
9 Losing grip on cups, saucers etc. presents a problem (6)
16 The address is English, so deliver the message (9)
17 Mark, being in front, was spotted (8)
19 Female that's in films (6)
20 Prolong the fuss (5, 2)
21 Eastern homily cut short prepared for the gods (6)
23 Race in charge has written in mysterious symbols (5)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

INSURANCES

AUTHORISED UNIT TRUST & INSURANCES

American Life Insurance Co UK
2-8 Altyre Road, Croydon CR9 2LG 01-680 7181

Alpha Range—Life				
Managed Acc	95.0	100.0	+0.2	
American Acc	101.7	107.1	+0.9	—
Deposit Acc	99.5	104.8	+0.1	—
European Acc	112.3	118.2	+1.2	—
Far Eastern Acc	113.6	119.6	+2.2	—
Fixed Interest Acc	81.9	86.3	−0.5	—
International Acc	109.9	115.7	+1.1	—
Property Acc	117.5	123.7	+0.7	—
UK Equity Acc	92.3	97.2	−0.1	—
Alpha Range—Pensions				
Managed Acc	97.6	102.7	+0.3	—
Premier Range				
Managed Acc—Life	104.1	109.6		—
Managed Acc—Pensions	105.2	110.7	+0.1	—

Other unit prices available from American Life

Baltic Assurance Funds
20, Chiswell St, London, EC1Y 4TY 01-374 6801

Managed Growth	254.12	267.50	−0.48	—
Managed Income	116.13	122.24	−0.53	—

Barclays Life Assur. Co Ltd
252 Romford Road, London E7 01-534 5544

Barclaybond	355.5	374.3	+0.7	—
Managed Accum.	301.4	317.3	+0.5	—
Equity Accum	435.2	458.2	−0.1	—
Property Accum	206.9	217.8	+0.1	—
International Accum	278.7	293.4	−0.2	—
Gilt-edged Accum	194.8	205.1	+1.0	—
Money Accum	176.4	185.7	+0.2	—
American Accum	184.6	194.6		—
Australia Accum	161.9	170.5	+0.5	—
Financial Accum	202.9	213.6	−0.3	—
"500" Accum	218.7	230.3	+0.1	—
European Grwth Accum	147.1	154.9	−1.2	—
Income Accum	241.1	253.8	+0.2	—
Japan & Gen Accum	324.9	342.1	+0.9	—
Leisure Accum	148.8	156.7	−0.2	—
Spec Sits Fd Accum	121.4	127.9	−0.2	—
Universal Tec Accum	111.2	117.1	+0.3	—
Managed Pns Accum	400.9	422.0	+0.8	—
Equity Pns Accum	144.6	152.3	+0.1	—
Intnl Pns Accum	156.6	164.9	−0.3	—
Gilt-edged Pns Accum	278.0	292.7	+2.7	—
Money Pns Accum	256.3	269.8		—

[illegible]

Cornhill Insurance PLC
57 Ladymead, Guildford 0483 68161

Equity Fd(A&B) Dec 3	252.5		266.0		—
Fixed Int (A&B) Dec 3	163.5		172.5		—
Man Growth A&B) Dec 3	529.0		557.0		—
Money Fd (A&B) Dec 3	142.5		150.0		—
Cap Fd(A&B) Nov 15		400.0			—
G&S Sup Fd(A&B) Nov 15		166.0			—
Far East Eqty A&B Dec 3	187.5		197.5		—
N.Amer Eqty A&B) Dec 3	108.5		114.5		—
Int Technol A&B Dec 3	156.5		165.0		—
Property (A&B) Dec 3	196.5		207.0		—

Credit & Commerce Life Ass. Ltd
74 Shepherds Bush Green, W12 8SD 01-740 7070

Life Funds				
UK Equity	141.8	149.5		—
American Equity	125.1	131.9		—
Far East Equity	168.0	177.2		—
Managed Fund Acc	371.0	391.0		—
International Equity	193.4	204.0		—
Gilt Edged	180.0	189.8		—
Money Fund	144.6	152.5		—
CCL Henderson	161.4	170.2		—
CCL Perpetual	205.4	216.6		—
CCL Property	229.8	242.3		—
Smaller Cos	249.3	263.0		—
Perpetual Eurogrowth	121.0	127.6		—
CCL Hend'son Prime Res	97.5	102.8		—

Criterion Assurance Group
Swan Court, Petersfield, Hants 0730 63281

Ultimate Mngd Fund	172.9	182.0		—
Criterion Mngd Fund	166.0	174.8		—
Pension Mngd Cap	52.2	54.9		—
Pension Mngd Acc	61.6	64.8		—
Pension G'nteed Dep Ac	34.6	36.5		—

For closed Fund unit prices ring 0730 63281

Crown Financial Management Ltd
Crown Hse, Woking GU21 1XW 04862 5033

Life Funds				
American Acc	103.2	108.6		—
Equity Acc	374.0	393.6	−0.2	—
European Acc	186.2	196.0	−1.6	—

[illegible]

هكذا من الاصل

INSURANCE, OVERSEAS & MONEY FUNDS

Charterhouse Bank
1 Paternoster Row, London EC4 01-248 4000

Emperor Fund	$13.65	14.34		0.54
Euro Global Inv Fd	$82.44	86.80		0.51

Charterhouse Fund Mngt. (C.I.) Ltd
Charterhouse Bldg, Bath St, Jersey 0534 79457

Central Assets Currency Funds Ltd			
£ Sterling	$16.15		10.05
US$	$14.58		4.96
D Marks	DM40.79		3.61
Swiss Francs	SFr43.73		1.57
Fr Francs	FFr167.29		6.79
Dutch Guilders	DF41.34		3.82
Ecu's	Ecu21.04		5.90
Japanese Yen	Y3,095		3.78
Belgian Francs	BFr790.47		5.72
Charterhouse Currency Funds Ltd			
£ Sterling	£10.35		9.19
US$	$15.29		4.07
D. Marks	DM40.45		2.65
Swiss Francs	SFr30.15		0.38
Fr Francs	FFr102.36		5.50
Japanese Yen	Y3,035		2.40
Ecu's	Ecu20.44		5.40

Citibank (CI) Ltd "Citifunds"
Green Street, St Helier 0534 70534

Liquidity Funds			
Deutschmark	22.768		—
Japanese yen	2368.621		—
Sterling	6.972		—
Swiss franc	21.517		—
US dollar	13.163		—
Managed	12.925		—
Short Term Investment Funds			
Dutch guilder Dec 4	221.574		—
Irish pound Dec 4	70.815		—
US dollar Dec 4	$10.766		—
Equity Funds			
Global Growth Dec 1	10.005	10.180	—
US Emrg HlthCare Dec 1	10.210		—
US Special Sits Dec 1	10.331		—
Citicant Dec 1	35.533		—

Cortaux International
10a Boulevard Royal, Luxembourg

Cortaux Intl.	$101.38		—

Craigmount Fund Int. Mngrs. (Jersey)
PO Box 195, St Helier, Jersey 0534 27561

Gilt Fund Ltd	73.5	73.4	12.0

Valued weekly Wednesday

Credit Suisse
23 Avenue Monterey, Luxembourg

GT Management (UK) Ltd
8th Floor, 8 Devonshire Sq, London EC2M 4YJ
Tel: 01-283 2575 Telex 886100
London Agents for:

Anch Gilt Edge (z)	£9.41	9.46	+0.07	11.42
Anch Int Fd Dec 2	$16.22	16.23	—	0.38
Berry Pac Strlg (z)	£16.12	16.947	—	0.80
GT Asia Science Fd (z)	$14.23		+0.16	—
GT Asean HK Grth (z)	$19.22		+0.04	0.88
GT Asia Fd. (z)	$7.83		−0.05	0.26
GT Asia Sterling (z)	£83.01	87.29		0.74
GT Australia Fd. (z)	$27.33xd		+0.99	1.46
GT Berry Japan Fd (z)	$20.17		+0.27	0.42
GT Biotech Hlth Fd (z)	$10.01		.....	—
GT Bond Fund (z)	$15.33		+0.07	6.52
GT Deutschland Fund	$10.80			—
GT Dollar Fd. (z)	$18.92		+0.11	0.91
GT Dir (Stlg) Fd (z)	£28.48	30.13	+0.43	3.64
GT Europe Fund (z)	$23.79		+0.05	0.06
GT Euro Smlr. Co (z)	$26.84			—
GT Global Tech Fd (z)	$15.60		+0.14	—
GT Info Pfinder (z)	$56.69		+0.06	—
GT Invest. Fd (z)	$30.59		+0.04	0.35
GT Japan Sm Cos Fd (z)	$70.42		.....	0.34
GT Newly Ind Cs Fd (z)	$10.37			—
GT Sth China Fd (z)	$22.95		−0.33	1.54
GT Technology Fd (z)	$26.36		+0.17	—

Gartmore Fund Managers Ltd. Agents
2 St Mary Axe, London, EC3 01-623 1212
Gartmore Fund Managers International Ltd
6 Caledonia Place, St Helier, Jersey 0534-27301

Capital Strategy Fund Ltd (z)			
Sterling Deposit Fd	£3.011	.....	10.00
US$ Deposit Fd	$1.039	.....	5.03
DM Deposit Fd	DM5.121	.....	3.54
Yen Deposit Fd	Y14.1	+0.1	3.88
Swiss Fr Dep	SF/5.138		3.70
European Fund	£1.70	−0.03	0.40
North American Fd	$1.41	−0.01	0.58
Japan Fd	$3.03	−0.01	—
Pacific Basin Fd	$2.27	−0.01	—
Intl Growth Fd	$2.31	−0.02	0.60
British Fd	£1.62	−0.01	2.00
ECU Fund	Ecu1.06		8.00
Sterling Gilt Fd	£1.02	−0.00	10.25
Int High Inc Fd	$1.14	−0.01	9.50
Yen Conv Bond Fd	Y2,265	+1	2.50
Capital Strategy Portfolio Limited			
Income Portfolio	£1.05	−0.01	9.09
Growth Portfolio	£1.15	+0.01	—
Balanced Portfolio	£1.08		5.07

Gartmore Fd Mngrs (Far East) Ltd (a) (h)
3608 Two Exchange Sq, 8 Connaught Place, Central, HK.

Australia Tst	Mon. $6.435	6.894xd	.....	1.25
Japan Fd	Tue. $69.59	74.63	.....	0.43
N. American Tst	Wed. $25.686	27.630xd	.....	0.83
Intl. Bond Fund	Thu. $12.371	13.082xd	.....	7.47

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

Money Market Trust Funds

Money Market Bank Accounts

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ⇄ Only available to charitable bodies. ⊕ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	27	NEI	8
Amstrad	15	Nat West Bk	48
BAT	35	P & O Dfd	45
BOC Grp	28	Plessey	16
BSR	11	Polly Peck	16
BTR	26	Racal Elect	15
Babcock	26	RHM	24
Barclays	42	Rank Org Ord	45
Beecham	40	Reed Intnl	25
Blue Circle	55	STC	13
Boots	22	Sears	12
Bowaters	32	TI	40
Brit Aerospace	42	TSB	8
Brit. Telecom	17	Tesco	36
Burton Ord	26	Thorn EMI	42
Cadburys	17	Trust Houses	15
Charter Cons	24	Turner Newall	18
Comm Union	28	Unilever	140
Courtaulds	26	Vickers	36
FNFC	17	Wellcome	17
Gen Accident	75	**Property**	
Gen Electric	15	Brit Land	16
Glaxo	85	Land Securities	30
Grand Met	40	MEPC	32
GUS 'A'	85	Peachey	24
Guardian	75	**Oils**	
GKN	24	BOM	$3\frac{1}{2}$
Hanson Tst.	18	Brit Petroleum	50
Hawker Sidd	42	Burmah Oil	32
ICI	75	Charterhall	4
Jaguar	42	Premier	$3\frac{1}{2}$
Ladbroke	32	Shell	65
Legal & Gen	20	Tricentrol	8
Lex Service	32	Ultramar	17
Lloyds Bank	38	**Mines**	
Lucas Inds	46	Cons Gold	62
Marks & Spencer	16	Lonrho	22
Midland Bk	48	Rio T Zinc	62
Morgan Grenfell	26		

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON SHARE SERVICE

BRITISH FUNDS

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
22Jul	22Jan	Exch. 13¼pc 1987	100⅛	16.6	13.19	8.74
10 Aug	10 Feb	Treas 10¼pcCv '87	99⅞	4.7	10.28	11.27
24Aug	24Feb	Exch 2½pc 1987	98⅛	18.7	2.53	8.98
6Oct	6Apr	Exch. 10½pc 1987	99⅞	1.9	10.53	11.24
1 Nov	1 May	Funding 6½pc 85-87	98⅛	25.9	6.60	10.29
12Dec	12Jun	Treas. 10pc 1987	99⅞xd	5.11	10.07	11.40
14Jan	14Jly	Treas 3pc 1987	96⅞	30.6	3.10	8.61
3May	3Nov	Treas. 12pc 1987	100⅞	29.9	11.93	11.24
26 Jul	26 Jan	Treas 7¾pc 1985-88‡‡	97	19.6	7.99	10.55
10Nov	10May	Exch 10½pc '88	99	6.10	10.61	11.29
14Dec	14Jne	Treas 9¾pc Cv '88	97⅞xd	7.11	9.96	11.31
1Jan	1Jul	Transport 3pc '78-88	92½xd	25.11	3.25	8.33
25 Apr	25 Oct	Treas. 9½pc '88	96⅞	18.9	9.80	11.31
22 Aug	22 Feb	Treas 11½pc 1989	100⅛	16.7	11.48	11.35
18 Oct	18 Apr	Treas 9½pc Cnv 1989	96⅛	11.9	9.87	11.35
15Nov	15May	Treas 3pc 1989	88½	9.10	3.39	8.32
14Dec	14Jne	Treas 10½pc 1989	98⅛xd	7.11	10.68	11.31
1Feb	1Aug	Exch.10pc 1989	96⅞	25.6	10.33	11.39
29 Mar	29 Sep	Exch 11pc 1989	99⅛	26.8	11.08	11.29
15 Apr	15 Oct	Treas 5pc 1986-89	89⅛	8.9	5.60	9.34
15 May	15 Nov	Exch 10¼pcCv '89	100	9.10	10.25	10.25
15 Jul	15 Jan	Treas 13pc 1990‡‡	104⅛	9.6	12.49	11.36
12 Aug	12 Feb	Exch 11pc 1990‡‡	99⅛	7.7	11.10	11.29
22 Sep	22 Mar	Exch. 12½pc 1990	103⅛	18.8	12.12	11.31
8 Nov	8 May	Treas. 3pc 1990	84⅛	2.10	3.59	8.47
15 Dec	15 Jun	Treas 8¼pc 1987-90‡‡	93xd	10.11	8.87	10.69
25 Apr	25 Oct	Treas. 10pcCv 1990	96⅛	18.9	10.41	11.28
22 May	22 Nov	Exch 2½pc 1990	80⅛	16.10	3.10	8.31
10 July	10 Jan	Treas 11¾pc 1991	101⅞xd	4.12	11.58	11.31
5Oct	5Apr	Funding 5¾pc '87-91‡‡	86⅛	1.9	6.63	9.56
13 Nov	13 May	Treas. 3pc 1991●	79⅛	—	3.76	8.60
[illegible]						

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

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[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
	May	‡Metsec 10p	78	13.10	L2.4b	2.6	4.4	12.0
Jan	May	Mitchell Cotts	62½	10.3	1.5	2.1	3.4	16.1
August		‡Monks & Crane 10p	126	30.6	L2.7	2.9	3.1	15.0
Jan	July	Morgan Crucible	321	10.11	t8.5	1.5	3.8	20.7
	May	‡Morris (W) F.A. 20p	25½	—	—	—	—	—
	July	‡Myson Grp 10p	149	29.9	t2.63	2.6	2.5	19.2
Nov	June	‡NMW Computers	235	13.10	t6.0	3.0	3.6	13.5
Mar.	Sept	Nash Inds	113	11.8	t0.5	—	0.6	—
—		Neil & Spencer 10p	13	7/81	—	—	—	—
Jan	July	Newman Inds 10p	37	15.9	t0.8	1.5	3.0	29.9
Apr	Sept	Noble & Lund 10p	84	29.9	0.7	4.3	1.2	27.7
April	Dec	Nolton	47	24.11	1.2	2.9	3.6	13.5
—		‡Norank Systems 5p	128	15.9	m1.5	—	1.7	16.4
Jan	Aug	Nortros	257	14.7	9.3	2.2	5.1	12.3
Oct	April	Nu-Swift 5p	194	27.10	t3.5	2.1	2.5	26.1
May	Nov	OCE 9pc Cnv 1987-92	£322½	27.10	09%	—	t2.8	—
Feb	Aug	Oakwood Grp	88	27.1	t5.0	1.3	8	12.2
Dec	July	Office & Elect	173	27.10	8.5	2.9	6.9	7.1
—		‡Omnitech 1p	31	—	—	—	—	—
—		‡Optometrics $0.01	20	—	—	—	—	—
May	Nov	Oriflame £1	860	29.9	t24.5	2.1	4.0	16.7
Jan	June	Ovenstone 12½p	78	12.5	003.23c	1.9	14.3	3.7
December		‡PCT Grp 10p	113	15.9	03.2	—	5.8	—
April		PLM 'B' Sk 25	£25½	3.4	023.2%	0.9	3.9	—
June	Dec	PSM Intl	193	8.10	t4d5.5	2.1	4.1	14.4
	June	‡Pacer Systems $0.01	175	25.4	U03.84c	3.4	1.5	19.5
Apr.	Dec	‡Pacific Sales 10p	46	15.9	3.0	1.4	9.2	11.0
Apr	Nov	Parker Knoll 'A'	402	29.9	12.0	3.2	4.1	10.8

INSURANCES

LEISURE

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

FINANCE, LAND—Cont.

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

MINES—Continued

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

Miscellaneous

NOTES

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

"Recent Issues" and "Rights" Page 24 (International Edition Page 25)

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £875 per annum for each security.

DIARY DATES

Trade fairs and exhibitions: UK

December 9-10
UK Tax Congress/Tax Fair (04868 21231)
Wembley Conference Centre

January 7-18
London International Boat Show (0932 54511) **Earls Court**

January 8-11
Holiday and Travel Fair (021-780 4171) **NEC, Birmingham**

January 10-15
Harrogate International Toy Fair (01-226 6653)
Exhbn. Centre, Harrogate

January 15-18
Antiques Fair (04447 2514)
Kensington Town Hall

January 18-22
International Light Show (05884 658) **Olympia**

January 22-25
Ideal Home Exhibition (0202 296275)
Metro Exhibition Hall, Brighton

January 23-25
Holiday and Leisure Spectacular (01-583 9199)
Kensington Exhibition Centre

January 27-29
Mirex Exhibition (01-688 7788)
Wembley Conference Centre

February 1-5
International Spring Fair (Gift section 01-855 9201; Hardware section 0604 23023)
NEC, Birmingham

Overseas

December 8-13
International Chemical Industries Exhibition—INTERCHIMIE (01-439 3964) **Paris**

December 9-14
International Home Improvement Techniques Exhibition—AMELBAT (01-439 3964) **Paris**

December 10-16
International Food, Pharmaceutical Processing and Package Exhibition (01-236 2399)
Guangzhou

January 9-12
International Furniture Exhibition (01-439 3964) **Paris**

January 12-15
Middle East Electronics Communications Show and Conference—MECOM (01-486 1951)
Bahrain

January 13-18
International Furniture Fair (01-930 7251) **Cologne**

January 15-18
Travel Exhibition (01-486 1951)
Helsinki

January 18-21
Hong Kong Fashion Week (01-930 7955) **Hong Kong**

January 31-February 8
Caravan, Camping, Car, Boat, Garden and Tourism and Leisure Exhibition (01-651 2191)
Hanover

February 25-March 3
International Fairs: Food; Materials Handling and Warehousing; Packaging and Printing (021-455 9600) **Bruo**

Business and Management Conferences

December 8
IBC: Accessing the US equities market (09323 55244)
Inter-Continental Hotel, W1

December 8-9
Royal Institute of International Affairs: Energy 1986—lessons from turmoil (01-930 2233)
Chatham House, SW1

December 9
The Institute for Fiscal Studies: Privatisation and regulation (01-636 3784)
St Ermins Hotel, SW1

December 9
The Builder Group Building in partnership (01-353 2300)
Hilton Hotel, W1

December 9-10
Hawkedon Partnership: Subsea '86 Conference: Designing for Subsea; current and future trends (060884 252)
Heathrow Penta

December 9-11
FT Conferences: The twelfth world banking conference (01-621 1355)
Hotel Inter-Continental, W1

December 10
CBI: Finding money in Brussels (01-379 7400) **Centre Point, WC1**

December 10
Business Briefings: New working patterns (01-381 1284)
London West Hotel, SW6

December 11-13
FT Conferences: World pulp and paper conference (01-621 1355)
Hotel Inter-Continental, W1

December 12
The Strategic Planning Society: Managing strategic decision making (01-235 0246)
15 Belgrave Square, SW1

December 16
CBI International Finance Corporation: Investment opportunities in developing countries (01-379 7400) **Centre Point, WC1**

December 16
The Henley Centre for Forecasting: At the political and economic crossroads—which way will the UK turn? (01-353 9961)
Cavendish Conference Centre, W1

January 19
International Business Communications: Long-term finance for commercial property development (01-236 4080)
London Press Centre, EC4

January 21-22
IBC: Control accounting and taxation of bank risk (01-236 4080) **Café Royal, W1**

January 27
Longman Seminars: Relief from Capital Gains Tax (01-242 4111)
Barbican Centre, EC2

January 27
NEDO: Who benefits from corporate venturing? (01-211 3100)
Café Royal, W1

January 28-30
Insurance and Reinsurance Research Groups: Cargo insurance clauses international workshop (01-236 2175)
Tower Hotel, EC3

January 30
Oracle Business Information: Basic accounting for life offices (01-727 3503)
CFS Conference Centre, W1

February 10
Longman Seminars: Film and television production—evaluation and management of risk (01-242 4111)
Barbican Centre, EC2

February 17
Longman Seminars: Will drafting and inheritance tax (01-242 4111). **Barbican Centre, EC2**

Parliament

TODAY

Commons. Second reading of the Teachers' Pay and Conditions Bill. Debate on EEC documents on aid to shipbuilding. Motion on the British Shipbuilders Borrowing Powers (Increase of Limit) Order.

Lords. Reverter of Sites Bill (second reading). Consumer Protection Bill (second reading). Maximum Number of Judges (Scotland) Order 1986.

Select committees. Public Accounts: subject, Audit Commissioner's report and accounts, 1985-86. Witnesses: The Audit Commission for Local Authorities in England and Wales, Mr David Cooksey and Mr J. M. M. Banham (Room 16, 4.45 pm). Treasury and Civil Service: subject, International credit and capital markets. Witnesses: Treasury officials and Bank of England (Room 8, 4.45 pm).

TOMORROW

Commons. Second reading of the Abolition of Domestic Rates, etc (Scotland) Bill. Debate on a motion to take note of EEC document 8705/86 on food aid policy and management. Debate on EEC documents relating to air transport.

Lords. Criminal Justice (Scotland) Bill, second reading. Restrictive Trade Practices (Services) (Amendment) Order. Rehabilitation of Offenders Act, 1974 (Exceptions) (Amendment No 2) Order. Misuse of Drugs Act 1971 (Modification) Order. European Assembly Elections Regulations. European Assembly Elections (Northern Ireland) Regulations. Parliamentary Constituencies (Wales) (Miscellaneous Changes) Order. Unstarred question on parallel imported medicines.

Select committee. Energy: subject corrosion at Hinkley Point A power station and decommissioning costs of Magnox nuclear reactors. Witness: Central Electricity Generating Board (Room 8, 4.30 pm).

Commons. Remaining stages of the Teachers' Pay and Conditions Bill. Civil and defence votes on account and the winter supplementary estimates.

Lords. Recognition of Trusts Bill, second reading. Ministry of Defence Police Bill, second reading. Broadcasting Bill, second reading. General Lighthouse Authorities (Beacons: Hyperbolic Systems) Order.

Select committees. Scottish Affairs: subject, hospital provision. Witness: Lord Glenarthur, Minister of State, Scottish Office. Welsh Affairs: subject, the Commissioner for Local Administration in Wales. Witness: the Commissioner for Local Administration in Wales. Energy: subject, reports and accounts. Witness: British Nuclear Fuels (Room 8, 11 am). Public Accounts: subject, financial reporting to parliament. Witness: Mr Robin Butler, Treasury (Room 16 4.15 pm). Social Services: subject, primary health care. Witnesses: Association of Community Health Councils for England and Wales, National Consumer Council. Transport: subject, decline of the UK registered merchant fleet. Witnesses: Department of Transport officials (Room 17, 4.15 pm). Environment: subject, Property Services Agency. Witnesses: Treasury officials (Room 20, 4.30 pm).

THURSDAY

Commons: Second reading of the Northern Ireland (Emergency Provisions) Bill. Motion on the draft Northern Ireland (Emergency Provisions) Act 1978 (Continuance) (No 3) Order.

Lords. Family Law Reform Bill, committee. Health and Personal Social Services and Public Health (Northern Ireland) Order. Appropriation (No 3) (Northern Ireland) Order.

Select committee. Agriculture: subject—the effects of pesticides on human health. Witness: Ministry of Agriculture, Fisheries and Food.

FRIDAY

Commons: Private members' motions.

Finance

TODAY

COMPANY MEETINGS—
Control Secs. hWite Hall Hotel, 2-3 Montagu Street, WC, 11.00
Glaxo, Dorchester Hotel, Park Lane, W, 12.00
Tyzack (W. A.), Hallam Tower Post House, Sheffield, 10.30

BOARD MEETINGS—
Finals:
Brown (Matthew)
Handanger Props
Interims:
BBB Design
Beaverco
British Benzol
Compsoft
F and C Alliance Inv
Gilbert House Invs
Greenall Whitley
Israel (Jack L.)
Northamber
Osborne and Little
Toothill (R. W.)
Vinten

DIVIDEND & INTEREST PAYMENTS—
Arab Banking Corp Fltg Rate Nts 2000 $372.57
Baillie Gifford Japan Tst 0.4p
Chemical New York Gtd Fltg Rt Sub Nts 1996 $149.7
Damon 5 cts
First Interstate Overseas Gtd Fltg Rt Sub Nts 1995 $148.51
Frogmore Estates 5.666p
Hammerson Property 2p. Do A Lim Vtg 2p
Harrisons and Crosfield 4.5p
Hunting Petroleum 3.5p
Lloyds Eurofinance Gtd Fltg Rate Nts 1992 $191.1
MY 0.4p
Misr Finance (Cayman) Gtd Fltg Rate Nts 1989 $1752.35
Nationwide Bldg Soc Fltg Rate Nts 1996 (2nd Series) £48.84
Reed Intl 5pcPf 1.75p. 7pcPf 2.45p. 5½pcLn 2¾pc. 7½pcLn 3¾pc
Rockwell Int 30 cts
Rosehaugh 1p
Sears 1p
Sindall (William) 3p
Thorn EMI 6½pcLn 1985-89 3¼pc
Wells Fargo Fltg Rate Nts 1994 $148.51

TOMORROW

COMPANY MEETINGS—
Five Oaks Invsts. Savoy Hotel, Strand, WC, 12.00
North Atlantic Securities, 46 New Broad Street, EC, 3.30
Photo-Me International, Station Ave, Walton-on-Thames, Surrey, 6.00
Pressac, Post House, Bostocks Lane, Sandiacre, Nottingham, 3.00
Swindon Private Hospital, Ridgeway Hospital, Moormead Road, Wroughton, Swindon, 4.30

BOARD MEETINGS—
Finals:
Burns Anderson
Devenish (J. A.)
Goring Kerr
Granada
Humberside Elecs Controls
McLeod Russell
Midsummer Inns
TACE
Townsgrade Secs
Vaux
Interims:
Bogod Pelepah
Chapman Inds
Meyer Intnl
Moorgate Inv Tst
Norcros
Preedy (Alfred)
Wardell Roberts
Whitecroft

DIVIDEND & INTEREST PAYMENTS—
Leumi Intl Invsts Fltg Rate Nts 1989 $37.81
Lloyds Bank Fltg Rate Nts $381.25
McInerney Props 1p
Midland Int Fltg Rate Nts 1992 $190.62
Tenneco 76 cts
Tyzack (W. A.) 1.4p

WEDNESDAY DECEMBER 10

COMPANY MEETINGS—
AB Electronic Prods, St David's Hall, Cardiff, 11.30
Firstland Oil and Gas, Gt Eastern Hotel, Liverpool St, EC, 12.00
Kalamazoo, Northfields, Birmingham, 11.30
McKechnie Bros, Metropole Hotel, Birmingham, 12.00
Really Useful Group, Palace Theatre, Cambridge Circus, W, 11.30
Scottish Metropolitan Property, Albany Hotel, Glasgow, 11.30

BOARD MEETINGS—
Finals:
Albion
Ascd Paper Inds
Crystalate
Guinness
Irish Distillers
Micro Scope
Interims:
Airsprung
Anderson Strathclyde
Anderson Strathclyde
Assd Brit Eng
BTP
Booth Inds
Celestion Inds
Chartered Consd
Deritend Stmpg
Equity Consort Inv Tst
Havelock Europa
M and G Second Dutl Tst
Priest Marians
Tex
Thorn EMI

DIVIDEND & INTEREST PAYMENTS—
Allied Irish Banks Fltg Rt Nts 1995 $374.9
Banco Latinoamericano de Export Fltg Rt Nts 1991 (with wrts) $406.67. Fltg Rt Nts 1991 (without wrts) $406.67
Beneficial O'seas Fin 14¼pcNts 1990 7⅛pc
Boeing 30 cts
Cadbury Schweppes Overseas 7¼pc Bnds 1990 $11.84
Chevron Corp 60 cts
Dun and Bradstreet 64 cts
English National Invst Pf 3.7p. Dfd 1.25p
Exxon 90 cts
General Motors 125 cts
Grace (W. R.) 70 cts
Houston Inds 70 cts
Int Bus Mach 110 cts
Kraft 43 cts
Lockheed 25 cts
Mobil 55 cts
Nedlibra Fin Fltg Rate Nts 1988 $157.99
Photo-Me Int 4p
Pressac 1.8p
RBC Canadian Pf C10 cts
Randworth Tst 0.25p
Scott Paper 34 cts
Squibb 50 cts
Sun Co 75 cts
Texaco 75 cts
Toshiba Y4
Travelers Corp 54 cts
United Technologies 35 cts
Warner-Lambert 42 cts

THURSDAY DECEMBER 11

COMPANY MEETINGS—
British Asset Tst, 1 Charlotte Square, Edinburgh, 12.30
Celtic Haven, Unicorn Hotel, Prince St, Bristol, 12.00
Investors Capital Tst, 1 Charlotte Sq, Edinburgh, 12.30
Majedie Invsts, City Conference Centre, 76 Mark Lane, EC, 12.15
Smart (J.) and Co, 28 Cramond Rd South, Edinburgh, 12.00

BOARD MEETINGS—
Finals:
Avon Rubber
Baggeridge Brick
Carr's Milling Inds
City Site Ests
Elderidge Pope
Flexello Castors and Wheels
Pericom
RHP
SEdlaw
Westland
Whessoe
Williams (John of Cardiff)
Interims:
British Bldg and Eng Appliances
British Telecom
Bulmer (H. P.)
Dee Cpn
GeeRosen Orgn
Nottingham Brick
Phoenix Timber
Pilkington
Syltone
Wagon Ind

DIVIDEND & INTEREST PAYMENTS—
AB Electronic Prods 8p
Bankers Tst New Corp Fltg Rte Sub Nts 2000 $154.83
China and Eastern Invst 2.2 cts
Ferguson Indstl 3.1p
Fleming Far Eastern Invst Tst 0.2p
Hewden-Stuart Plant 0.625p
Kalamazoo 1p
London County 5½pc 1985-87 2¾pc
Mid-Sussex Water 14pcDb 1986-88 7pc
Royal Bank of Scotland Fltg Rt Nts $368.54

BOARD MEETINGS—
Finals:
Dubilier
Elec Data Processing
Hardys and Hansons
Reliant Motor
Interims:
Bristol Evening Post
Fuller Smith and Turner
Greene King
Hickinq Pentecost
Investment Co
Lovell (G. F.)
Wood (S. W.)

FRIDAY DECEMBER 12

COMPANY MEETINGS—
Bolton Textile Mill, Frobisher Crescent, Barbican Centre, Barbican, EC, 12.00
Eleco Hldgs, 116 Pall Mall, SW, 12.00
Highland Electronics, 8 Old Steine, Brighton, 12.30
North Sea Assets, 1 Charlotte Sq, Edinburgh, 12.30
Peters (Michael) Grp 3 Olaf St, W, 10.00
SI Group, Charles Stanley, Finsbury Circus, EC, 2.30
Wolseley, Vines Lane, Droitwich, Worcs, 3.00

DIVIDEND & INTEREST PAYMENTS—
Banque Nationale de Paris Fltg Rt Nts 1994 £247.85
Billam (J.) 1.562p
Citicorp Overseas Fltg Rt Nts 1994 $15.64
Comcap 0.75p
Crowther (John) 1p
East Rand Gold 15.30859p
Eastern Produce 2.5p
Eaton Finance 12½pcLn 2014 6¼pc
Elys (Wimbledon) 1p
Exchequer 12pc 2013-17 6pc
Feb Intl 0.89p. A non-vtg 0.89p
Free State Cons Gold Mines 53.58009p
Grand Central Invst 0.25p
Hunting Assoc Inds 4p
Hunting Grp 2p
Lees (John J.) 1p
London Atlantic Invst Tst 2.1p
Loraine Gold Mines 150 cts
Monsanto Co 65 cts
Nedlibra Finance Fltg Rt Nts 1993 $1564.06
Orange Free State 139.61442p
Portsmouth and Sunderland Newspapers 1.1p
Really Useful Grp 7.5p
Shiloh 1.5p
Smallbone 1.42p
Snowdon and Bridge 1p
Southeast Banking Fltg Rt Nts 1996 $377.72
Spain (Kingdom of) 12pcLn 1988 6pc
Spring Ram 0.33p
Steel Bros 4p
TNT A3.Srts. Pltv Pd Rfd A1.75 cts
Treasury 10pc 1987 5pc
Ward White 2.25p
Welkom Gold 36.43446p

SUNDAY DECEMBER 14

DIVIDEND & INTEREST PAYMENTS—
Agric Mortgage Corp 10¼pcDb 1992-95 5⅛pc
Conversion 9½pc 2002 4¾pc
Treasury 10½pc 1989 5¼pc. 9½pc 1988 4¾pc

WORLD STOCK MARKETS

AUSTRIA

1986 High	1986 Low	Dec. 5	Price Sch
2,650	2,190	Credit'nst'lt pp	2,245
3,850	3,075	Goesser	3,390
16,000	12,700	Interunfall	15,600
21,750	11,000	Jungbunzlauer	11,680
2,475	1,950	Laenderbank	2,195
795	560	Perlmooser	635
211	150	Steyr Daimler	161
12,500	8,850	Veitscher Mag	11,175

BELGIUM/LUXEMBOURG

1986 High	1986 Low	Dec. 5	Price Frs.
3,500	2,290	B.B.L.	3,150
16,550	9,600	Banq. Gen. Lux.	15,900
17,000	9,400	Banq. Int.A.Lux.	14,950
14,500	8,250	Bekaert	11,100
4,660	2,640	Ciment CBR	4,070
195	120	Cockerill	134
3,240	1,662	Delhaize	2,800
4,940	3,580	EBES	4,910
17,350	10,425	Electrobel	14,925
2,700	1,890	Fabrique Nat.	1,945
8,950	3,560	GB Inno BM	8,740
4,525	2,695	GBL (Brux)	3,720
6,800	4,310	Generale Bank	6,070
6,850	4,750	Gevaert	6,240
8,150	5,700	Hoboken	7,760
3,995	2,880	Intercom	3,910
4,450	2,430	Kredietbank	4,185
11,650	9,800	Pan Holding	10,780
9,820	6,050	Petrofina	9,620
29,471	17,200	Royale Belge	29,471
3,390	2,120	Soc. Gen. Belge	3,360
[illegible]	[illegible]	[illegible]	[illegible]

DENMARK

GERMANY

FINLAND

SINGAPORE

1986 High	1986 Low	Dec. 5	Price $
5.55	3.04	Malay Banking	5.1
1.69	0.98	Malay Utd Ind.	1.38
0.6	0.30	Multi Purpose	0.54
9.45	5.85	OCBC	9.15
3.88	2.12	OUB	3.56
1.78	0.80	Public Bank	1.24
1.97	0.82	Sime Darby	1.82
9.9	5.65	Singapore Air	9.4
8.85	5.5	Singapore Press	8.0
3.9	1.86	Straits Trdg	3.56
3.28	1.91	Tat Lee Bk	2.98
4.86	2.22	UOB	4.46

FRANCE

NETHERLANDS

SWITZERLAND

SOUTH AFRICA

1986 High	1986 Low	Dec. 5	Price Rand
65	32	Gold Fields S.A.	61
15.5	4.75	Highveld Steel	6
18	6.2	Malcor	17.5
9.5	5.40	Nedbank	6
20	11.4	OK Bazaars	16
83.25	45	Rembrandt	83.25
56.75	26	Rust Plat	46.25
18.5	13	Safren	16
11.5	9.0	Sage Hldgs	9.5
16.5	8.2	SA Brews	15.25
32.5	24	Smith (CG)	30.5
8.4	7.0	Tongaat Hulette	7.5

AUSTRALIA

NORWAY

SWEDEN

SPAIN

1986 High	1986 Low	Dec. 5	Price Pts.
922	347	Bco Central	870
470	207	Bco Exterior	375
505	207	Bco Hispano	469
1,480	439	Bco Popular	1,470
891	420	Bco Santander	891
1,710	595	Bco Vizcaya	1,575
770	413	Banesto	685
447	165	Dragados	403
142	82.5	Hidrola	103.2
201	101.5	Iberduero	150.2
458	172	Petroleos	352.5
228.5	125.5	Telephonica	180.2xr

HONG KONG

1986 High	1986 Low	Dec. 5	Price H.K.$
22.2	17.4	Bank East Asia	21.3
5.95	5.15	Cathay Pacific	5.65
37.0	17.9	Cheung Kong	35.5
21.6	14.8	China Light	20.6
0.57	0.53	Evergo	0.57
40.4	32.25	Hang Seng Bank	37.75
4.35	1.65	Henderson Land	4.30
19.7	11.8	HK China Gas	18.7
11.5	8.3	HK Electric	11.2
9.55	5.2	HK Kowloon Wh.	9.00
7.8	5.2	HK Land	6.30
8.60	5.25	HK Shanghai Bk.	8.4
15.5	9.3	HK Telephone	14.6
44.75	24	Hutchison Wpa.	42.75
44.50	25.08	Ind. Equity Pac.	28.5
23.6	11	Jardine Math	21.2
10.1	6.05	New World Dev.	9.35
21.2	10.6	SHK Props	18.3
1.13	0.52	Shell Elect.	0.76
18.6	9.9	Swire Pac A	18.4
10.2	5	TV—B	10.1
9.6	5.15	Winsor Inds.	9.1
3.86	2.07	World Int. Hldgs.	3.57

JAPAN

1986 High	1986 Low	Dec. 5	Price Yen
1,200	277	Tokyo Gas	1,170
1,500	565	Tokyu Corp	1,270
1,770	974	Toppan Print	1,680
763	465	Toray	625
843	357	Toshiba Elect	687
2,740	1,490	Toyo Seikan	2,080
2,150	1,130	Toyota Motor	2,150
340	200	UBE Inds	294
3,260	1,490	Victor	2,700
775	605	Yamaha	651
2,050	680	Yamaichi Sec	1,600
3,480	2,890	Y'manouchiPhm	3,290
1,650	777	Yamazaki	1,520
1,130	496	Yasuda Fire	930

ITALY

1986 High	1986 Low	Dec. 5	Price Lire
34,995	19,980	Banco Com'le	22,650
868	575	Bastogi-IRBS	685
4,780	3,050	Centrale	3,370
16,400	6,150	C.I.R.	7,250
4,590	3,100	Credito Italiano	3,100
16,500	6,531	Fiat	13 800
172,030	75,150	Generali Assicur.	126,000
81,505	48,200	Italcementi	71,550
1,430	920	La Rinascente	980.5
4,533	2,705	Montedison	2,970
18,890	8,710	Olivetti	12,900
8,970	6,085	Pirelli Co.	6,830
6,510	3,370	Pirelli Spa	4,775
6,885	4,499	Saipem	4,670
7,650	4,705	Snia BPD	4,705
64,500	24,250	Toro Assic	31,000

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Schillings.

CANADA

TORONTO
Closing prices December 5

MONTREAL
Closing prices December 5

F—No voting rights or restricted voting rights.

OVER-THE-COUNTER
Nasdaq national market, closing prices, December 5

Continued from Page 33

Stock	Sales (Hnds)	High	Low	Last	Chng
RPM .72	20	116	20½	20¼	20½
RadSys	12	238	10	9¾	10 + ⅛
Rainer 1.08	10	876	33⅛	33	33 − ⅛
RayEn .24	15	4	29⅞	29⅞	29⅞ − ⅛
Reading	20	31	23¾	23	23 − ½
Sovrgn .10	100	1204	7⅛	7	7 − ⅛
Sovran 1.36	9	618	35⅝	35⅜	35⅜ − ¼
Specdys	22	221	17¼	17	17¼ + ⅛
SpecCtl .07	19	344	11⅝	11½	11½ − ⅛
StarSur	67	137	8¼	8	8 − ⅛
UBArtz .72	15	886	32¾	32⅝	32¾ + ⅛
UBWshs	8	16	31½	30⅞	31½ + ½
UBCol 1.08	7	133	25	24¾	24⅞ + ⅛
UCaroB1.04	10	56	29¼	29	29¼ + ¼
UCtyGs1.60	16	33	25	24½	25
Xyvan	181	85	14¾	14¼	14½
YlowFs .62	15	2879	40¾	39¾	40⅝ + ⅝
ZenNtl .80	17	30	22½	22½	22½
ZionUt 1.44	10	14	41¾	41¾	41¾
Zondvn	33	155	27⅞	27¼	27½ − ⅛

Indices

NEW YORK

DOW JONES	Dec. 5	Dec. 4	Dec. 3	Dec. 2	Dec. 1	1986 High	1986 Low	Since Comp High	Since Comp Low
⊕Industrials	1935.05	1939.68	1947.27	1955.57	1912.54	1955.57 (2/12)	1502.29 (22/1)	1955.57 2/12/86	41.22 2/7/32
H'me Bnds.	92.96	93.41	93.15	93.01	92.92	93.41 (4/12)	85.73 (14/1)	—	—
Transport	860.87	866.74	863.75	858.84	844.83	866.74 (4/12)	686.97 (9/1)	866.74 4/12/86	12.32 8/7/32
Utilities	211.94	213.90	213.84	214.47	211.48	219.15 (20/8)	169.47 (22/1)	219.15 20/8/86	10.5 8/4/32

⊕Day's High 1950.22 (1965.50) Low 1911.70 (1930.26)

STANDARD AND POOR'S	Dec. 5	Dec. 4	Dec. 3	Dec. 2	Dec. 1	1986 High	1986 Low	Since Comp High	Since Comp Low
Composite	251.17	253.04	253.85	254.00	249.05	255.3 (27/8)	203.49 (22/1)	253.3 27/8/86	4.40 1/6/32
Industrials	279.42	281.52	282.54	282.77	277.52	282.77 (2/12)	224.48 (22/1)	282.77 2/12/86	3.62 21/6/32
Financials	28.24	28.41	28.46	28.30	27.54	31.13 (14/5)	25.19 (22/1)	31.13 14/5/86	8.64 1/10/74
N.Y.S.E. COMPOSITE	143.69	144.68	145.05	145.09	142.59	145.75 (4/9)	117.75 (22/1)	145.75 4/9/86	4.462 25/4/74
AMEX. MKT VALUE	267.66	267.84	267.89	267.22	264.67	285.19 (26/6)	240.30 (4/2)	285.19 25/6/86	28.15 9/12/74
NASDAQ OTCCOMP.	362.96	364.07	363.04	360.71	357.87	411.16 (3/7)	325.01 (9/1)	411.16 3/7/86	54.87 3/10/74

DIVIDEND YIELDS	Nov. 28	Nov. 21	Nov. 14	Nov 7	year ago (approx)
Dow Industrial	3.61	3.64	3.68	3.65	4.29
	Nov. 12	Nov. 5	Oct. 29	Oct. 22	
S and P Industrial	2.96	2.96	3.04	3.09	3.62
S and P Ind P/E ratio	17.75	17.69	17.24	16.92	15.38

TRADING ACTIVITY

Millions	Dec. 5	Dec. 4	Dec. 3
Volume †			
New York	139.82	156.91	200.14
Amex	10.75	12.15	15.53
O.T.C.	—	128.0	134.40

New York	Dec. 5	Dec. 4	Dec. 3
Issues Traded	1,999	2,027	2,015
Rises	975	703	747
Falls	525	824	834
Unchanged	499	500	434
New Highs	—	72	82
New Lows	—	17	25

CANADA

TORONTO	Dec. 5	Dec. 4	Dec. 3	Dec. 2	Dec. 1	1986 High	1986 Low
Metals & Minerals	2036.51	2059.7	2066.0	2075.2	2066.3	2442.8 (21/3)	1817.4 (6/6)
Composite	3067.1	3072.6	3070.8	3060.5	3045.1	3129.1 (18/4)	2754.0 (17/2)
MONTREAL Portfolio	1546.5	1551.4	1551.1	1550.5	1540.3	1628.3 (18/4)	1396.6 (22/1)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
Owens Corning	3,248,000	12⅞	+ ½	Tex Com Bk	1,486,900	24⅛	—
ATT	2,487,100	27⅛	+ ⅛	Pen Pwr Lt	1,387,100	38⅛	− ¼
I. E. Indus	2,324,800	25⅛	− ⅛	IBM	1,297,900	126⅞	−1⅛
USX	1,719,900	21½	− ⅛	Gillette	1,297,800	51⅛	−3
Pan Am Corp	1,504,500	5⅛	− ⅛	K Mart	1,245,000	49	− ¾

	Dec. 5	Dec. 4	Dec. 3	Dec. 2	1986 High	1986 Low
AUSTRALIA All Ord. (1/1/80)	1429.5	1411.1	1380.5	1376.8	1429.5 (5/12)	1010.8 (2/1)
Metals & Mnls. (1/1/80)	691.5	687.5	677.4	679.5	719.9 (27/10)	481.1 (28/7)
AUSTRIA Creditbk Aktien(30/12/84)	255.66	258.19	254.50	255.52	268.64 (23/4)	228.58 (5/8)
BELGIUM Brussels SE (1/1/84)	4079.98	4075.52	4061.20	4058.53	4891.98 (13/11)	2768.91 (15/1)
DENMARK Copenhagen SE(3/1/83)	197.47	197.20	196.45	193.52	250.78 (18/4)	188.28 (11/11)
FINLAND Unitas Genl. (1975)	424.6	422.6	420.0	417.7	424.6 (5/12)	258.5 (2/1)
FRANCE CAC General (31/12/82)	407.9	407.5	404.5	398.5	412.5 (1/8)	267.8 (2/1)
Ind Tendance (31/12/85)	162.1	161.8	160.5	157.9	162.1 (5/12)	101.1 (2/1)
GERMANY FAZ Aktien (31/12/58)	698.65	696.09	698.28	691.25	755.88 (17/4)	565.92 (22/7)
Commerzbank (1/12/53)	2072.70	2069.9	2079.0	2053.9	2278.8 (17/4)	1782.4 (22/7)
HONG KONG Hang Seng Bank(31/7/64)	2400.72	2430.52	2460.90	2456.29	2460.09 (3/12)	1559.84 (19/5)
ITALY Banca Comm. Ital.(1972)	694.26	707.29	715.67	705.15	908.20 (20/5)	454.67 (24/1)
JAPAN** Nikkei (16/5/49)	18657.4	18626.9	18455.1	18191.0	18936.2 (20/8)	12881.8 (21/1)
Tokyo SE New (4/1/68)	1550.98	1551.56	1532.26	1508.49	1583.35 (20/8)	1025.85 (21/1)
NETHERLANDS ANP.CBS General (1970)	285.0	285.0	286.4	283.2	301.0 (5/9)	246.4 (5/5)
ANP.CBS Indust (1970)	284.4	285.5	284.1	281.4	305.9 (19/8)	234.0 (5/5)
NORWAY Oslo SE (4/1/83)	365.07	365.17	366.95	372.98	402.81 (16/1)	331.81 (4/8)
SINGAPORE Straits Times (30/12/66)	899.99	896.54	888.81	883.54	940.84 (5/11)	565.84 (28/4)
SOUTH AFRICA JSE Gold (28/9/78)	—	1850.0	1848.0	1950.0	2081.0 (19/8)	1104.1 (21/4)
JSE Indust (28/9/78)	—	1384.0	1386.0	1396.0	1419.0 (12/11)	1019.5 (21/4)
SPAIN Madrid SE (30/12/85)	193.42	192.33	191.32	189.14	200.79 (9/10)	100.85 (3/1)
SWEDEN Jacobson & P (31/12/56)	2456.75	2478.14	2482.79	2463.12	2672.78 (7/11)	1729.67 (29/1)
SWITZERLAND SwissBankCpn (31/12/58)	594.5	592.5	592.5	587.7	625.5 (8/1)	497.2 (4/8)
WORLD M S. Capital Intl.(1/1/70)	—	357.3	355.9	353.7	360.6 (1/8)	243.6 (25/7)

** Saturday November 29: Japan Nikkei 18,325.5. TSE 1,507.51.

Base value of all Indices are 100 except Brussels SE—1,000, JSE Gold—255.7, JSE Industrial—264.3, and Australia. All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

Closing prices, December 5

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26½	16	AAR s	.44	1.8	18	963	24⅝	24	24¼	+¼
30	21¾	ADT	.92	3.5		279	26¼	26	26⅛	
33	15⅝	AFG s	.12⅜	.4	15	1360	31¼	30½	30¾	−⅜
29	16¾	AGS			19	200	29	28⅝	28½	
15	7⅜	AMCA			49	7⅝	d	7½	7½	−¼
62⅞	39¼	AMR			13	2226	58⅝	57¼	57¾	−1
27½	23¾	ANR pf 2.67		10.		2	26	26	26	−⅛
16¾	10	ARX	.70t	6.3	11	40	11¼	11⅛	11¼	−⅛
41½	28¾	ASA	2a	5.4		253	36⅞	36⅝	36⅞	+¼
18⅝	9¾	AVX		2.6		533	12½	12¼	12½	+⅛
32	25½	AZP	2.72	9.3	9	1384	29⅝	29	29⅛	−¼
55	30¼	AbtLb s	.84	1.7	22	6758	49¾	48⅝	48⅝	−⅛
32	24⅛	AccoWd	.56	2.1	17	65	27⅛	27	27	−⅛
14⅞	9	AcmeC	.40	3.8		81	10½	10⅜	10½	+⅜
9¼	6⅛	AcmeE	.32b	4.9	17	39	6½	6¼	6½	+¼
23⅞	17½	AdaEx	4.45e	21.		248	20⅞	20½	20⅞	+⅜
33⅝	19⅛	AdmMI	.48	1.7	13	94	28⅛	27⅞	28	−⅛
20⅝	12⅛	AdvSys	1.45t	8.5	15	307	17⅝	17	17	
32⅞	12⅞	AMD				2784	16⅝	15⅝	15⅝	−⅝
13⅝	5¼	Adobe				184	6⅛	5⅞	6	+⅛
18⅝	13¾	Adob pf 1.84		11.		127	16½	16¼	16¼	−¼
20¼	16⅝	Adob pf 2.40		13.		276	18	17¾	17⅞	+⅛
18⅝	10	Advest	.12a	.9	10	99	13¾	13⅝	13½	
66¼	49⅞	AetnLf	2.64	4.5	9	2308	59¼	58¾	59	
55¾	51½	AetL pf3.94e		7.6		x128	251⅞	d51⅛	51⅝	−⅛
70¾	34⅞	AflPb s	.44	.6	35	685	u71½	70⅝	71¼	+⅝
28¾	13	Ahmns	a .46	2.0	7	5199	23⅞	23	23⅛	−½

Continued on Page 33

هکذا من الأصل

NYSE COMPOSITE CLOSING PRICES

Continued from Page 32

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
13⅞	8⅞	WolvrW 12j				98	9⅝	9⅜	9⅝	−¼
49	29	Wlwth s1.12		2.6	13	2887	43⅝	42⅝	42¾	−1⅛
137	82	Wolw pf2.20		1.8		6	125	123¼	123¼	−5¾
5¼	2	WrldAr			2	1	4⅛	4⅛	4⅛	
19¾	16⅛	WrldVl n				73	17	d16½	16⅝	
51¼	27½	Wrigly s .98		1.9	21	447	u51⅝	50½	51⅛	+¼
4⅛	1⅞	Wurltzr				10	2½	2⅜	2½	
17½	11	WyleLb .32		2.3	29	42	14⅛	13⅝	13⅝	−⅜
25¼	15	Wynns .60		2.7		33	22	21⅞	21⅞	−⅛
		X Y Z								
72¼	46⅝	Xerox 3		4.8	14	6611	62⅛	61½	61⅞	+⅜
58¼	54	Xerox pf5.45		9.8		188	56⅞	55½	55½	−⅛
28¼	20¼	XTRA .64		2.6		329	24⅞	24⅝	24⅝	−⅛
18¾	13½	Yorkla n				201	17	16¾	16¾	−⅛
49¾	28½	ZaleCp 1.40		2.8		613	49⅝	49⅝	49⅝	
39⅝	22½	Zale pfA .80		2.0		1	39⅝	39⅝	39⅝	
9½	2¼	Zapata .03j				872	3	2½	2¾	+⅛
43⅞	20¼	Zayre s .32		1.2	19	2731	27¼	26¼	26⅝	−⅝
17	9¾	Zemex .40		2.9	22	10	13⅞	13¾	13⅞	
29⅞	17⅞	ZenithE				323	20⅞	20½	20¾	
16¼	8	ZenLb s			64	583	10⅝	10⅜	10¼	−⅛
22⅞	12⅝	Zero s .29		1.9	16	52	15½	15⅛	15⅛	−⅛
45¾	32¾	Zurnin 1.32		3.1	17	136	42¼	41⅞	42	+⅛
10⅝	9⅝	Zweig n				603	9⅝	d	9¼	9⅜

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices December 5

OVER-THE-COUNTER

Nasdaq national market, closing prices, December 5

Continued on Page 31

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar firm in spite of political worries

MARKETS CAN be very thin at this time of the year, and be distorted by orders that would normally cause hardly a ripple. This appeared to happen last Thursday, when the dollar rose to around the DM 2.00 level on one or two large commercial orders, in spite of some bearish comments by Mr James Baker, US Treasury Secretary, and a larger that expected fall of 3.6 per cent in October US factory orders.

After attempting to break through DM 2.00 on Friday morning, the dollar again rose to that level at the close, but showed little reaction to the November US unemployment level of an unchanged 7 per cent. Most forecasters had gone for a fall to 6.9 per cent, but the result was not a disappointment because the rise in the numbers employed in the non-farm sector was well above expectations.

A survey conducted by Money Market Services produced a range of forecasts for the rise in the nonfarm payroll from 145,000 to 250,000, with a medianof 180,000. Drexel Burnham Lambert suggested a figure of 170,000, and James Capel Gilts, expected 200,000.

The published figure of 249,000 was therefore encouraging for the US economy, while the October rise of 298,000 was revised down to 260,000.

Other statistics announced last week were mixed and had only a small impact on trading. October leading indicators rose 0.6 per cent, against forecasts of a flat figure, and October construction spending rose a larger than expected 1.6 per cent, but new single family home sales in the same month fell a surprising 9.6 per cent.

The main figure for publication this week is November US retail sales on Thursday. This is expected to recover from the sharp fall of 5 per cent in October. According to a MMS survey the median forecast is for a rise of 0.3 per cent.

Sterling is likely to have a nervous week. A full ministerial meeting of the Organisation of Petroleum Exporting Countries opens Thursday, following a gathering to discuss quota agreements today.

Details of UK inflation will be published, with producer prices today and retail prices on Friday. James Capel says producer prices will rise sharply because of seasonal electricity price increases, pushing the input price index up by 0.9 per cent. This is close to the median forecast of 1.0 per cent from the MMS survey, but County NatWest Gilt-Edged Securities expects an even larger rise of 1.5 per cent.

Output prices are forecast to rise by 0.3 per cent to 0.4 per cent, giving a year-on-year rise of around 4.1 per cent.

County NatWest expects the retail prices index to rise 0.8 per cent, to give an annual inflation rate of 3.5 per cent, compared with 3 per cent in October. This is slightly above the MMS median of 0.75 per cent.

Political news did not favour the dollar or sterling last week, with President Reagan finding the Iranian arms sale scandal the most potentially damaging issue he has faced during his time in the White House. The British Government's problems involved the spy book case in the Australian courts, but the net effect was limited. The commitment to maintain a firm exchange rate by Mr Nigel Lawson, Chancellor of the Exchequer, had more impact and kept the pound steady.

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls—Last Dec.	Jan.	Feb.	Mar.	Puts—Last Dec.	Jan.	Feb.	Mar.
1.30	12.85	12.85	12.85	12.85	0.00	0.00	0.07	0.21
1.35	7.85	7.85	7.85	7.85	0.00	0.08	0.48	0.90
1.40	2.85	2.94	3.34	3.48	0.00	0.85	1.86	2.58
1.45	0.01	0.65	1.19	1.44	2.31	3.56	4.71	5.54
1.50	0.00	0.06	0.30	0.47	7.30	7.97	8.82	9.57
1.55	0.00	—	—	0.12	12.30	—	—	14.22
1.60	0.00	—	—	0.03	17.30	—	—	19.13

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 2,512 Puts 2,950

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Dec.	Jan.	Feb.	March	Puts—Last Dec.	Jan.	Feb.	Mar.
1.35	7.90	7.90	7.90	7.90	0.15	0.20	0.50	0.95
1.40	2.90	3.15	3.45	3.75	0.20	1.05	1.80	2.60
1.45	0.20	0.75	1.10	1.50	2.65	3.80	4.65	5.55
1.50	0.15	—	—	0.55	7.55	—	—	9.60
1.55	0.25	—	—	0.45	13.70	—	—	16.10
1.60	0.25	—	—	0.25	18.70	—	—	20.90
1.65	0.70	—	—	1.50	18.70	—	—	20.20

Previous day's open int: Calls 1,403, Puts 574
Volume: 0

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Dec.	162.00	162.70	161.80	162.00
March	164.75	165.60	164.90	164.70

Estimated volume 400 (421)
Previous day's open int. 3,516 (3,543)

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
Dec.	99-25	101-15	99-22	101-20
March	99-24	100-15	98-22	100-21
June	97-23	99-14	97-21	99-20
Sept.	96-24	98-07	96-24	98-21
Dec.	95-26	97-10	95-26	97-23
March	94-30	96-09	94-30	96-27
June	94-05	94-23	94-05	96-01
Sept.	—	—	—	—
Dec.	92-23	93-16	92-23	94-19
March	92-03	—	—	93-31

BASE LENDING RATES

	%		%		%
ABN Bank	11	Citibank NA	11	● Morgan Grenfell	11
Adam & Company	11	Citibank Savings	¶12.45	Mount Credit Corp. Ltd.	11
Allied Arab Bk Ltd.	11	City Merchants Bank	11	Nat Bk. of Kuwait	11
Allied Dunbar & Co.	11	Clydesdale Bank	11	National Girobank	11
Allied Irish Bank	11	Comm. Bk. N. East	11	Nat Westminster	11
American Exp. Bk.	11	Consolidated Cred.	11	Northern Bank Ltd.	11
Amro Bank	11	Co-operative Bank	*11	Norwich Gen. Trust	11
Henry Ansbacher	11	Cyprus Popular Bk	11	PK Finans. Intl (UK)	11½
ANZ Banking Group	11	Duncan Lawrie	11	Provincial Trust Ltd.	12
Associates Cap Corp.	11	E. T. Trust	12	R. Raphael & Sons	11
Banco de Bilbao	11	Equatorial Tst C'p plc	11	Roxburghe G'rantee	11½
Bank Hapoalim	11	Exeter Trust Ltd.	11½	Royal Bk of Scotland	11
Bank Leumi (UK)	11	Financial & Gen. Sec.	11	Royal Trust Bank	11
Bank Credit & Comm.	11	First Nat. Fin. Corp.	11½	Standard Chartered	11
Bank of Cyprus	11	First Nat. Sec. Ltd.	11½	Trustee Savings Bank	11
Bank of Ireland	11	● Robert Fleming & Co	11	UDT Mortgage Exp.	¶12.25
Bank of India	11	Robert Fraser & Ptrs	12	United Bk of Kuwait	11
Bank of Scotland	11	Grindlays Bank	‡11	United Mizrahi Bank	11
Banque Belge Ltd	11	● Guinness Mahon	11	Westpac B'nking Corp	11
Barclays Bank	11	HFC Trust & Savings	11	Whiteaway Laidlaw	11½
Benchmark Tst Ltd	11	● Hambro Bank	11	Yorkshire Bank	11
Beneficial Trust Ltd	12	Heritable & Gen. Tst.	11		
Berliner Bank AG	11	● Hill Samuel	§11		
Brit. Bk. of Mid. East	11	C. Hoare & Co	11		
● Brown Shipley	11	Hongkong & Shangh'	11		
CL Bank Nederland	11	Knowsley & Co. Ltd	11½		
Canada Permanent	11	Lloyds Bank	11		
Cayzer Ltd	11	Mase Westpac Ltd.	11		
Cedar Holdings	12	Meghraj & Sons Ltd	11		
● Charterhouse Bank	11	Midland Bank	11		

● Members of the Accepting Houses Committee. * 7-day deposits 6.69%. 1-month 7.03%. Top Tier—£2,500+ at 3 months' notice 10.03%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 6¼% gross. ¶ Mortgage base rate. § Demand deposit 6.69%. Mortgage 12¼%.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu December 5	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	43.1139	43.2857	+0.40	+1.11	± 1.5368
Danish Krone	7.81701	7.85430	+0.48	+1.19	± 1.6403
German D-Mark	2.11083	2.08132	−1.40	−0.69	± 1.1127
French Franc	6.87316	6.81807	−0.80	−0.09	± 1.3659
Dutch Guilder	2.37833	2.35202	−1.11	−0.40	± 1.5059
Irish Punt	0.764976	0.765023	−0.01	+0.72	± 1.6683
Italian Lira	1476.95	1441.81	−2.38	−1.98	± 4.0734

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Dec.5	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.429	2.860	232.0	9.360	2.388	3.230	1981.	1.970	59.30
$	0.700	1	2.001	162.4	6.550	1.672	2.260	1386.	1.378	41.50
DM	0.350	0.500	1	81.12	3.273	0.835	1.129	692.5	0.689	20.73
YEN	4.310	6.159	12.33	1000	40.34	10.29	13.92	8537.	8.489	255.6
F Fr.	1.068	1.527	3.056	247.9	10	2.551	3.451	2116.	2.104	63.35
S Fr.	0.419	0.599	1.198	97.17	3.920	1	1.353	829.5	0.825	24.84
H Fl.	0.310	0.442	0.885	71.83	2.898	0.739	1	613.2	0.610	18.36
Lira	0.505	0.722	1.444	117.1	4.726	1.206	1.631	1000	0.994	29.94
C $	0.508	0.726	1.452	117.8	4.752	1.212	1.640	1006.	1	30.11
B Fr.	1.686	2.410	4.823	391.2	15.78	4.026	5.447	3340.	3.321	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

EURO-CURRENCY INTEREST RATES

Dec. 5	Short term	7 Days' notice	One Month	Three Months	Six Months	One Year
Sterling	10⅞-11⅛	11-11⅛	11⅛-11¼	11⅛-11⅞	11⅛-11½	11⅛-11⅞
U.S. Dollar	6-6⅛	6⅛-6⅞	6¼-6⅞	6-6⅛	5⅞-6⅛	5⅞-6⅛
Can. Dollar	7¾-8¼	7¾-8¼	8⅛-8⅞	8⅛-8⅞	8⅛-8⅞	8⅛-8⅞
D. Guilder	5⅞-6⅞	5⅞-6⅛	6-6⅛	5⅞-5⅞	5⅞-5⅞	5⅝-5¾
Sw. Franc	1⅛-1½	1½-1¾	4⅛-4⅞	4⅛-4¼	4-4⅛	4-4⅛
Deutschmark	4⅛-4⅞	4¼-4⅞	4⅞-5	4¼-4⅞	4⅛-4⅞	4¼-4⅞
Fr. Franc	7¼-7⅞	7½-7⅞	8-8⅛	8⅞-8⅞	8⅝-8¼	8⅝-8¼

£ IN NEW YORK

Dec 5	Latest	Previous Close
£ Spot	1.4315-1.4325	1.4305-1.4315
1 month	0.58-0.56 pm	0.57-0.56 pm
3 months	1.80-1.77 pm	1.82-1.79 pm
12 months	6.83-6.72 pm	6.82-6.72 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Dec. 5	Previous
8.30 am	68.0	67.8
9.00 am	68.1	67.8
10.00 am	68.0	67.9
11.00 am	68.1	67.9
Noon	68.1	67.9
1.00 pm	68.2	67.9
2.00 pm	68.1	67.9
3.00 pm	68.0	67.9
4.00 pm	68.1	68.0

CURRENCY MOVEMENTS

December 5	Bank of England Index	Morgan Guaranty Changes %
Sterling	68.1	−25.2
U.S. Dollar	110.5	+2.8
Canadian Dollar	77.6	−12.3
Austrian Schilling	134.4	+9.4
Belgian Franc	97.7	−5.6
Danish Krone	90.3	+2.6
Deutsche Mark	143.3	+19.9
Swiss Franc	166.5	+20.3
Guilder	131.2	+13.2
French Franc	71.1	−12.4
Lira	48.3	−15.5
Yen	205.0	+52.6

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

CURRENCY RATES

Dec. 5	Bank rate %	Special Drawing Rights*	European Currency Unit
Sterling	—	0.644214	0.729409
U.S. Dollar	5.5	1.20444	1.04196
Canadian $	8.49	*	1.43791
Austrian Sch.	4	16.9344	14.6396

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
Dec.	1.4270	—	—	1.4308
Mar.	1.4090	1.4097	1.4070	1.4125
June	1.3910	—	—	1.3940

Estimated volume 20 (50)
Previous day's open int 1,683 (1,690)

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.
Belgian rate is for convertible francs. Financial franc 41.70-41.80.

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.4290	1.4234	1.4113	1.3928	1.3617
D-mark	2.8600	2.8456	2.8158	2.7718	2.6950
French Fr.	9.3600	9.3358	9.3065	9.2403	9.1493
Swiss Fr.	2.3875	2.3743	2.3468	2.3053	2.2315
Yen	232.00	230.71	228.11	224.30	217.55

MONEY MARKETS

A gas leak in liquidity

UK clearing bank base lending rate 11 per cent since October 15

THE MAIN item of note to affect the London money market last week was the British Gas share offer. The level of applications for the £5.6bn offer for sale may have disappointed the financial markets, but the money tied up was enough to create a large shortage of £900m in the money market on Thursday. Assistance from the Bank of England included short repurchase agreements on bills, which the market found attractive. The authorities will resell the bills on Wednesday, and charged relatively low interest rates of 10⅞ per cent to 11 per cent.

Credit conditions were easier on Friday. The shortage was £500m, but in expectation of another large shortage today, the Bank of England kept the market liquid, bying £517m bills outright.

Today's credit shortage may be around £1bn, as the British Gas issue continues to drain funds and this may also be a factor tomorrow, but the overall impact on interest rates will only affect the very short end of the market.

The yield structure in London remains very flat. Three-month interbank closed at 11⅞-11⅜ per cent on Friday, compared with 11⅞-11⅝ per cent at the end of the previous week, and periods from four months to one year were quoted at 11½-11⅜ per cent, unchanged from the previous Friday.

The Government's commitment to keep the pound firm increased recent speculation that the next move in bank base rates was more likely to be up than down. On the other hand slow US economic growth and a disappointing third quarter Japanese GNP growth figure of 0.6 per cent encouraged hopes that the US and Japanese discount rates may be cut again.

These conflicting factors left the market awaiting further direction, but without any great expectation that this would happen before the new year.

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec. 5) 3 months U.S. dollars		6 months U.S. dollars	
bid 6	Offer 6⅛	bid 5 15/16	Offer 6 1/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (4 p.m.)

		Treasury Bills and Bonds			
Prime rate	7½	One month	4.92	Three year	6.39
Broker loan rate	7¼	Two month	5.37	Four year	6.60
Fed. funds	5⅞	Three month	5.59	Five year	6.67
Fed. funds at intervention	5 13/16	Six month	5.68	Seven year	6.95
		One year	5.82	10 year	7.11
		Two year	6.25	30 year	7.37

GRANVILLE
SPONSORED SECURITIES

Capitalisation £000's	Company	Price	Change on week	Gross div.(p)	Yield %	P/E
4,669	Ass. Brit. Ind. Ordinary	135	—	7.3	5.4	8.3
—	Ass. Brit. Ind. CULS	147	—	10.0	6.8	—
925	Armitage and Rhodes	37	−1	4.2	11.4	5.2
5,299	BBB Design (USM)	64	—	1.4	2.2	15.2
66,223	Bardon Hill	206xd	—	4.6	2.2	23.4
5,184	Bray Technologies	94	+2	4.3	4.6	11.2
476	CCL Ordinary	136	—	2.9	2.1	9.6
1,338	CCL 11pc Conv. Pf.	107	—	15.7	14.7	—
15,537	Carborundum Ordinary	259xd	+1	9.1	3.5	12.5
651	Carborundum 7.5pc Pf.	93	—	10.7	11.5	—
3,178	Frederick Parker Group	22	—	—	—	—
1,679	George Blair	91	+1	3.8	4.2	2.3
3,858	Ind. Precision Castings	95xd	+1	3.0	6.7	8.5
12,268	Isis Group	154	—	18.3	11.9	8.9
6,561	Jackson Group	126xd	−1	6.1	4.8	8.6
50,009	James Burrough	357	−6	17.0	4.8	10.0
3,257	James Burrough 9pc Pf.	93	—	12.9	13.9	—
59,652	Multihouse NV (AmstSE)	765	−15	—	—	40.1
8,349	Record Ridgway Ordinary	363	−7	—	—	6.5
2,349	Record Ridgway 10pc Pf.	87	—	14.1	16.2	—
867	Robert Jenkins	85	—	—	—	3.7
1,710	Scruttons "A"	38xd	—	—	—	—
3,295	Torday and Carlisle	135	+3	5.7	4.2	8.2
1,518	Trevian Holdings	335	−5	7.9	2.4	7.0
15,800	Unilock Holdings (SE)	79	−1	2.8	3.5	14.5
26,444	Walter Alexander	102	+1	5.0	4.9	9.8
4,574	W. S. Yeates	196	—	17.4	8.9	19.6
4,113	West Yorks. Ind. Hosp. (USM)	97	+4	5.6	5.8	13.9

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SECTION III

FINANCIAL TIMES SURVEY

Venture Capital

Contents

Trevor Humphries

The UK's venture capital industry is growing up, but not growing as fast as it was in terms of size. Consolidation and caution have been the main themes of 1986—and for several worrying reasons.

By Ian Hamilton Fazey

Stand by for some vertical landings

BRITAIN'S venture capital industry is coming of age and consolidating. It is becoming less obsessed with an adolescent quest for the "sexy"—its jargon for exciting ventures that will yield fast, massive returns. Maturity, tempered by fear, is promoting the virtues of longer relationships.

If there is anything big about the industry at present, it is probably its state of flux. The last few years have seen almost continuous growth of venture capital funding, but now things are slowing down.

Susan Lloyd, editor of the *UK Venture Capital Journal*, runs the British operations of the US consultancy, Venture Economics, and is the official source of statistics for the British Venture Capital Association.

She puts the UK industry at £3bn of invested capital, compared with $19bn in the US. About £278m was raised by private funds last year but, although slightly more is likely in 1986, she says this will not represent real expansion.

The slowdown reflects a growing unease about where things will go from here. If stock markets fall, what will happen to "exit routes"—the industry's jargon for the means of selling an equity stake in a business for enough money to justify the risk of not having invested in something safer?

Dr Neil Cross, of Investors in Industry (3i), says: "The development of the Unlisted Securities Market has opened people's eyes about how to convert paper wealth into real money. But we have been in a period of sustained growth and upward movement in both the Stock Exchange and the USM.

"This has encouraged people to start businesses and develop them. It has been different from any time before. Many people in the venture capital industry know of no other atmosphere. How will they fare in a bear market?"

Robert Smith, of Charterhouse Development Capital, puts it this way: "Many funds have high expectations and need to get out quickly with big capital gains. You can't do that easily in falling markets. There will be a horrible vengeance. Vertical take-off is nearly always followed by vertical landing."

He says that rising markets have themselves contributed to a slowdown in the growth of the industry, because price-to-earnings ratios of 10-12 are up in a "rarefied atmosphere." This forces up the *ante*—the price that venture capitalists are expected to pay for equity just to get into the game.

"There is a danger of paying too much when you go into a deal nowadays. Some people want a crash to get P/E ratios down to levels of 3-4. Then they can get in and do well in the longer term as they rise again," he says.

If the market does fall, or even just fails to carry on rising, the smaller funds which rely on flotation alone for their return are expected to suffer most as the potential to make capital profits dries up.

Dr Cross does not believe that 3i—Britain's largest supplier of venture capital with 2,500 equity investments—will suffer at all. "We have been through several full economic cycles over the years. We know how to treat a bear market as an opportunity. We carried on investing throughout the recession and it paid off when things turned up again," he says.

Geoff Taylor, director of 3i Ventures (the most high flying but riskiest part of 3i's operations), underlines this: "Most economic cycles are faster than the cycles involved in building up companies.

"You should assume reasonable norms and adjust the plan as the picture becomes clearer. It pays to back competent managers who have done it before and who are pragmatic. The dangerous ones are the managers who have not done it before and fall in love with technology."

But, even in a rising market, no fund can hope to win them all. The dawn of reality has also contributed to this year's slowdown. In 3i's experience, only 5 per cent of companies reach flotation anyway. More than half are sold to bigger companies in the same industry and the rest "bumble on."

Given this, sheer size of portfolio will be crucial to any fund's survival. Mr Smith, of Charterhouse, which has been operating for more than 50 years and also understands economic cycles well, says that the quality of fund managers will also be crucial. Interestingly, he and other prominent figures in the industry rate the collective talents of competitors Citicorp as market leaders here.

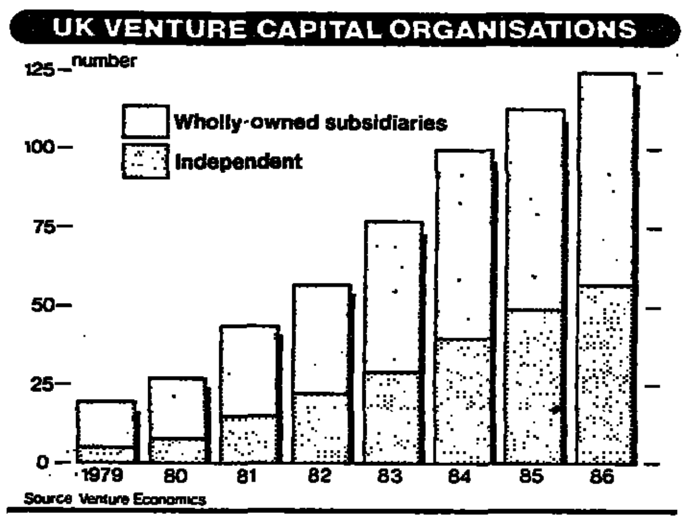
Although most fund managers have been trained by 3i—the acknowledged "university of the venture capital industry"—many will probably not have big enough portfolios to be able to spread their risks through having a variety of potential exit routes to choose from.

A shakeout is therefore seen as likely, with the better-spread, larger and better-managed funds absorbing smaller ones whole or dividing up their portfolios between them. The way the industry would then develop is clear from several current trends.

Breathtaking "sexiness" may well be out. As Tony Lorenz, of

Continued on Page 2

UK VENTURE CAPITAL ORGANISATIONS



Source Venture Economics

"Sexy" is venture capital jargon for a good project giving fast returns. The word has a literal meaning at Knickerbox, a London retailer of exotic underwear. The company's development capital has come from its bank, NatWest.

A more conventional high-technology venture was the buy-out of Mercia Diagnostics (top left) from Gist-Brocades, the Dutch pharmaceuticals company. The buy-out was backed by Charterhouse Japhet Venture Fund. Mercia specialises in diagnostic kits for various diseases. Sales are expected to rise from £1m to £10m in the first five years.

New capital raised for independent funds in the UK

	1979	1980	1981	1982	1983	1984	1985	1986
Total:	7.4	19.5	114.6	42.8	160.6	222.0	278.1	225.5
Publicly listed	—	—	62.2	4.9	51.6	36.7	—	4.0
BSS & BES Funds	—	—	9.8	4.2	44.6	37.5	31.3	26.5
Institutionally backed	7.4	19.5	42.6	33.7	64.4	147.8	246.8	195.0

Source: Venture Economics

The US

Recovering after the avalanche

THE US venture capital industry is recovering after its recent dramatic shakeout, and, in the words of one of the industry's elder statesmen, is a lot more "contrite and cautious" than it was two years ago when money was pouring into venture capital partnerships.

"People who invest money are much more concerned that they invest it only with the best managers," says Mr. Peter Brooke, of TA Associates, the Boston venture capital firm which manages more then $700m and is one of the oldest firms in the industry. "The conditions of the last two years have had a 'sobering effect' on both investors and managers."

In 1983/1984 the volume of new money being chanelled into the US venture capital market more than doubled from the long-term trend, mainly because investors suddenly began to hear tales that the sort of returns they could make in venture capital made more traditional investments pale into insignificance. There was talk of investors earning perhaps 50 or 60 times their original stake, and this led to an avalanche of new money, much of which could not be invested astutely.

The industry's main bottleneck is people, and the lack of experienced personnel is the main reason why the surge of new money into venture capital proved so disastrous in 1984. "A lot of money went into new funds with inexperienced people," says Steve Piper, of Venture Economics, a consulting firm based in Wellesley Hills, Massachusetts, which is the most widely quoted source of industry statistics. He notes that there were some "unfortunate incidents," such as the heavy venture capital investment in more than 40 computer disc drive manufacturers. When the dust settles on the shakeout in the computer industry there will be perhaps three disc drive manufacturers left, says Mr. Piper.

Venture Economics calculates that the amount of money raised for venture capital investment has declined each six-month period since the second half of 1982 when $2.2bn was raised. It estimates that some 39 independent private venture funds raised slightly less than $1bn in the first half of 1986.

It says that the slowdown in the industry's growth cannot be attributed to any other factor. The money-raising environment was not perceived to be favourable, and venture capitalists were aware of the need to demonstrate some success in a first fund prior to initiating money-raising activities for a follow-on fund. In addition, the challenges of problem portfolio companies consumed the time rather than the capital of many venture firms.

Also, fewer groups were raising money due to the great number which still have funds available from their money raising in 1983 and 1984. The inability of new funds to raise either as large an amount of capital as they had expected, or to raise any capital, has also had a limiting effect, according to a special report in the July 1986 edition of Venture Capital Journal, which is published by Venture Economics.

A sampling of the new money raised for venture capital investments in the first half of 1986 gives a sense of the continued dominance of the west coast firms, which provided some 40 per cent of the total. Leading the list is Kleiner Perkins Caulfield & Byers, which is based in San Francisco/Palo Alto and raised $150m. It was followed by the Palo Alto-based Merrill, Pickard, Anderson & Eyre, which raised $90m.

The Massachusetts-based venture capital firms, most of which are clustered around Boston's universities, rank second in importance, accounting for around 15.5 per cent of the new money raised in the first half of 1986. John Hancock Venture Management, part of the big life insurance group, raised $86.6m in the first half of this year, followed by Burr, Egan, Delage & Co. which raised $43.2m.

Industry distribution 1985

	% of companies	% of dollars invested
Communications	14	16
Computer-related	35	35
Other electronics-related	13	14
Genetic engineering	3	5
Medical/health	11	10
Energy-related	2	1
Consumer-related	8	7
Industrial automation	4	4
Industrial products	4	2
Other	6	6
Total	100	100

Source: Venture Economics, Wellesley Hills, Massachusetts.

New York is the third most important centre for venture capital, with companies like Bridge Capital Advisors being particulary prominent in capital raising. After San Francisco, Boston and New York, the venture capital business in the rest of the US is relatively minor.

While the flow of money into the venture capital industry is now running at less than half the peak levels attained in 1983/84, there have also been some fairly radical shifts in the importance of certain types of investors and investments.

The Venture Capital Journal notes that US pension funds, which had typically provided close to a third of the total new money, increased their contribution to almost a half in the latest period. Insurance companies increased their contribution from 11 per cent of the total to 17 per cent. By comparison, the proportion of foreign investment in US venture capital operations fell from almost a quarter in 1985 to 11 per cent in the first half of 1986.

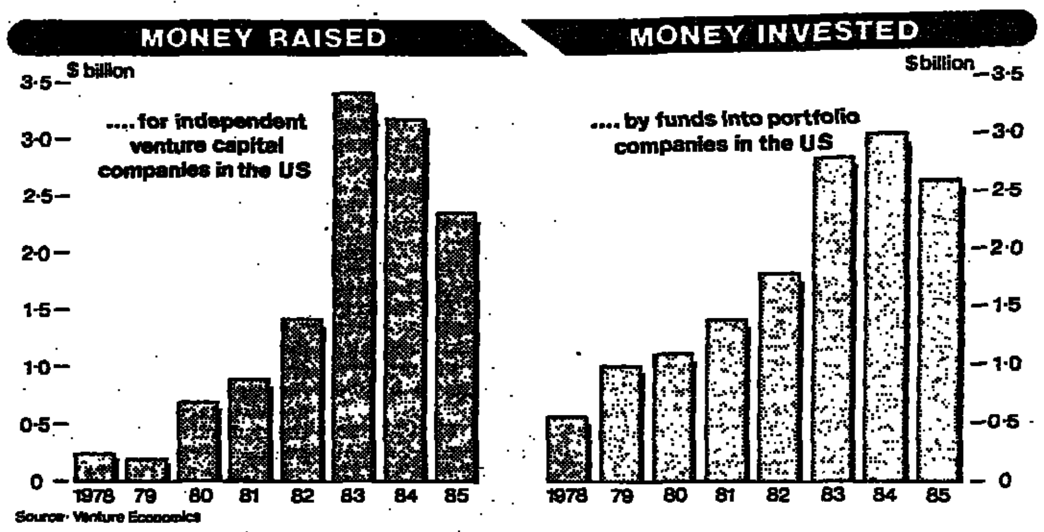
The types of business attracting US venture capital also changed fairly radically in the early part of this year. The proportion going into high-tech companies declined, and the relative importance of consumer-related investments increased. Venture Economics notes that 16 per cent of new financings in the first half of 1986 were consumer-related–twice the historical average. By contrast, computer hardware and systems took only 11 per cent of the new money in the first half of 1986, compared with a more normal figure of between 20 per cent and 30 per cent.

It seems clear that the massive rewards of some of the earlier venture capitalists, which lured so many willing investors into the business, are not being repeated.

"The good managers have maintained a good performance record," says TA Associates' Peter Brooke, noting that it is not as high as the early 1970s but "certainly respectable and competitive with other forms of financing."

"Instead of the 50 and 60–times winners, we have had a lot more 10–times winners," he says.

William Hall



Source: Venture Economics

Stand by for some vertical landings

Continued from Page 1

Equity Capital for Industry, puts it: "Steady growth is now being seen as better than high flyers. Liquidity is better than burned fingers. There is already greater realism on the part of the funds and more understanding of downside risks. It's a return of sanity.

"Times are going to get increasingly difficult for the younger funds. What matters is not how many big winners you get—they will happen anyway, as will the failures—but how well you manage the middle rump of average performers."

This is seen as just as true for the 1985-86 "flavour of the year"—management buy-outs—as for high-technology starts, though the latter are becoming increasingly unfashionable as the true size of the odds against picking a winner are becoming recognised.

Buy-outs are a form of short-cut venture capital. Ms Lloyd says that most are straightforward financial gambles, and hardly venture capital projects at all. Mr Smith says that all depends on managerial performance after the buy-out—the faster the management performs and itself buys out the investors, the more equity it eventually keeps.

It needs cash flow in order to do that, rather than profit—while true venture capital projects rely on profit potential within a reasonable period (3i's base criterion is £100,000 of profit within four years). Many buy-out companies are expected to end up like many venture capital projects and "bumble on."

This is likely to encourage another trend—the management "buy-in." Here, the investors put better management in to run the company.

Mr Lorenz says that vigorous informal networks in the industry have already compiled a "stud list" of able managers—singly and in teams—who might be put into the "middle rump" of average-performing companies.

The same networks are also getting into another type of brokerage, lumping together emergent companies operating in similar fields to produce one business of sufficient "critical mass" to start dominating a particular market so that it can then grow rapidly.

If necessary, an appropriately qualified management team from the "stud list" would be offered the merged business to move things along more successfully, if existing managers were not thought up to it.

Estimated size of international venture capital industry

	Total No. VC firms	Total VC pool ($m)
US	550	20,000
UK	110	4,500
Canada	44	1,000
Japan	70	850
France	45	750
Netherlands	40	650
West Germany	25	500
Sweden	31	325
Norway	35	185
Denmark	14	120
Ireland	10	100
Australia	11	50

Source: Venture Economics

Two other trends are also apparent as the venture capital industry comes of age. The first is a better understanding of equity than just four years ago, when many entrepreneurs were reluctant to give any up.

"People have become more interested in wealth than owning 100 per cent of their business," says Geoff Taylor. "Equity is seen as something they can sell to help them become rich through making their business grow."

The other big change in attitudes is towards non-executive directors. Mr Taylor and Mr Smith say their role has switched from the passive to the active, from being watchdogs to trying to stimulate the business. "The companies want non-execs who will push them and contribute," Mr Smith says.

Out of this maturing industry, another development is also discernible. Susan Lloyd says: "The industry in Europe is insignificant and well behind the UK. The long-term lending role of the European banks, the relative lack of private collateral, and secondary stock markets which are not as developed, are all part of it. I expect to see strong internationalisation of venture capital in 1987."

To help things along, 3i has now opened offices in Paris, Frankfurt, Holland and Portugal and several other British providers are actively on the lookout. Bigger deals, and their wider syndication, are expected.

West Germany

Unemployment is a spur

IN WEST Germany, job security, long holidays and extensive fringe benefits have become the norm after the rapid and painful recovery from post-war chaos. As the economy was being rebuilt, entrepreneurism thrived. Since then, prosperity and comfort have dampened the will to tread new paths.

But things are changing. In the past few years, a host of venture capital outfits have sprung up around the country; and a number of big companies like Siemens, Nixdorf and BMW have joined the new game of trying to pick the corporate winners of the future.

"Venture capital has made the breakthrough," says Mr Klaus Nathusius, management board chairman of International Venture Capital Partners (IVCP), pointing out that sums invested by active venture capital companies in Germany had risen by 300 per cent last year to some DM 400m ($200m).

This was just over 40 per cent of the total amount of around DM 1bn actually made available for investment in the venture capital field in Germany. Most of the investment has been in the communications sector, followed by micro-electronics.

Those involved in German venture capital cite several reasons for the growing interest: the presence of a capitalist-minded and investor-oriented Government in Bonn; the desire of established companies to keep up with fast-moving new technologies, so as not to miss out on products of the future; and the prolonged high unemployment of some 2m, which has caused many young people to think of setting up their own businesses.

Also gaining ground in Germany, though much more slowly, is the idea of management buy-outs. There have been few so far, perhaps the best known being that of the Loewe Opta electronics and television company.

Recently, J. Henry Schroder Wagg, the UK merchant bank set up a DM 140m fund to finance the first German buy-outs. Mr Roger Brooke, chief executive of Candover Investments, another buy-out specialist, has also been looking at prospects in Germany. Eventually, he and others believe, management buy-outs will take off in the Federal Republic, but at present, the notion is still alien to many managers and owners.

Mr Nathusius, of IVCP, is also an advocate of more buy-out activity in Germany. In the venture capital field, IVCP, based in Luxembourg, has been active for about two years. It has holdings in 14 companies, 11 of them in Germany, two in the UK and one in France. It has DM 40m share capital, of which nearly half has been invested.

Operating on a larger scale, in the southern Bavarian city of Munich, is Techno Venture Management (TVM), which manages DM 166m provided by institutional and industrial investors such as Siemens, Bayer, Daimler-Benz and Mannesmann. Nearly a third has been spent.

Its investment targets lie both in Germany, where it has stakes in 16 companies, mostly start-ups or just past the fledgling stage, and in the US, where it is linked with TA Associates of Boston. In the US, TVM is involved with 11 companies. It also has an investment in Austria.

Apart from TA and the TVM management, Siemens is one of the owners of Techno Venture, the other partners being the Munich-based Matuschka Group and David Cooksey, a London-based venture capital expert.

The Siemens stake is held via its Venture Capital Beteiligungsgesellschaft (VCB) subsidiary, which has also spun off two operations from within the group as independent companies. These are ICT, an integrated circuit testing company, and TPS, which makes data processing control equipment.

Siemens, which also invests in other venture capital funds, has a third company in its "incubator" being prepared for eventual spin-off. The group spends about DM 5.5bn on research and development each year, but cannot follow up all promising research leads. Thus its policy is to try to nurture and then release those research activities which it reckons have the best chance of survival.

"Someone has to be very tough to leave the wonderful world of Siemens and become an entrepreneur," says Mr Jochen Mackenrodt, a Siemens vice-president responsible for subsidiaries and venture capital activities. Even so, not everyone at Siemens initially approved of the idea of spinning off suitable but small-scale research operations. "There were some typical bureaucrats in Siemens who said the whole R & D side would fly off."

At first, he adds, it was a struggle to find the right managers in Germany for TVM, which also has a minority stake in the ICT spin-off. "Now, we get letters every day from bright young people." After its hesitant start, venture capital is now an accepted fact in Germany, he notes. "Many funds have popped up. Local and state authorities, as well as banks, are getting involved, even little Buergermeisters. Everyone has their little venture."

Andrew Fisher

Sources of venture capital in West Germany (%)

Banks	44.9
Industry	36.7
Insurance companies	7.8
Private	4.8
State	4.3
Pension funds	1.4

Source: Wirtschafts Woche

France

Free-market ideas provide impetus

VENTURE CAPITAL has been developing in France during the last three years, stimulated by an administration that sees risk-capital financing as a way to create new businesses and jobs.

The former Socialist administration first launched a package of measures to boost venture capital and small company creation in summer 1984, offering fiscal incentives for venture capital investors and individuals interested in management buyouts of small and medium-sized companies.

However, the socialist measures, while helping to generate a more encouraging environment for venture capital in France, have generally been felt not to have gone far enough to enable this new sector to take off in France in the same way as in the UK or the US.

The new conservative government of Mr Jacques Chirac, committed to liberal and free market economic policies and deregulation of business and financial markets, has thus sought to accelerate the development of venture capital by proposing additional fiscal measures and incentives. But despite this new commitment to stimulate the venture capital industry with new measures, operators in France are still worried that the new government is not going far enough in its approach.

So far, venture capital in France has been concentrated on development capital investments in companies with proven track records rather than in the more risky business of promoting start-ups.

Venture capital promoters argue that it is now necessary to offer special fiscal incentives to investors who put money into the risky business of start-ups, including consolidating losses on start-up businesses in their overall activities. "If you were able to deduct losses in start-up businesses against your overall profits and revenues, I suspect you would suddenly find far greater interest in backing start-ups in France," remarked another venture capital fund manager.

The conservative government, however, has now decided to respond to these criticisms by deciding to introduce, from the beginning of next year, a fiscal measure to enable investors in start-ups to deduct from their tax returns the losses from new ventures which fail and are forced to fold up. But the annual deduction will be limited to FFr100,000 per individual and FFr 200,000 for couples.

The same is true for financing management buy-outs in France. Despite tax incentives, the overall fiscal conditions are regarded as still being not as attractive as, for example, in the UK. Again the problem is the fact that, in France, it is still not possible to consolidate losses or debt-service costs on a venture capital, or management buy-out business on a group's or individual's overall operations. Moreover, the administrative procedures remain tight and cumbersome.

However, venture capital fund managers see tremendous potential in management buy-out deals. A recent study by the Association Francaise des Investisseurs en Capital Risque (Afic), the French risk capital association, whose members manage about FFr 6bn in venture capital funds, shows that in the next five to 10 years "thousands of companies in France" will be changing hands because of ageing management.

Moreover, the current restructuring in French industry, and the recentring of large French industrial groups around their core business activities, mean that a greater number of smaller-sized companies and subsidiaries will swell the number of potential management buy-out candidates. The number is also likely to increase further as a result of the conservative Government's ambitious privatisation programme which has just been launched.

Development capital activities have also continued to be boosted in France by the flourishing development of the unlisted section of the Paris and regional stock markets, known as the "second marche."

Indeed, venture capital funds run by big banks and financial institutions have been keen to invest in new companies to bring them to the unlisted securities market. With the rise and encouragement of small shareholders in France, this area of activity is expected to continue to grow.

However, the venture capital sector recently suffered a blow with the collapse of one of the largest venture operations ever to have been mounted in France. It involved a company called Alcatel-Thomson-Gigadise, and included among its backers some of the biggest names in French state-controlled industry, including Alcatel, Thomson, Rhone Poulenc and financial groups like Suez, Societe General and Banque Nationale de Paris.

This venture was recently wound up after plunging increasingly into the red, having badly miscalculated the development of the market for its optical disk and digital optical disk drive technology. However, venture capital managers in France claim that the operation does not really qualify as a traditional venture capital deal, but was rather a "special case" involving big French groups betting on a new technology.

Paul Betts

The Netherlands

Risk capital's historic roots

AFTER YEARS of rapid growth, venture capital in the Netherlands has entered a consolidation stage in which both providers and users in the industry are re-evaluating their roles and seeking greater efficiencies.

Government-backed venture capital funds, which account for a big part of the Fl 250m in risk capital invested each year, are increasingly finding conflicts between their role as commercial enterprises and as catalysts for industrial renewal.

These state-funded venture capitalists have been criticised as too conservative and sluggish, but they are gradually gaining more financial and political independence.

Venture capital companies in the private sector are finding that the explosive growth of recent years is beginning to create shortages of skilled fund managers and perhaps even threaten an over-supply. Mr Cornelis van Lede, chairman of the VNO Employers Association, the Netherlands' largest industry group, has said he expects a shake-out that will leave the industry stronger.

Companies using venture capital, facing ever greater scrutiny, are increasingly seeking government subsidies and grants as ways of stretching their resources. Mixing venture capital with government funds also is proving more and more successful in drawing promising entrepreneurs from abroad to set up shop in the Netherlands.

The amount of venture capital available in the Netherlands has jumped to more than Fl 2.5bn from only a fraction of that a decade ago, and in Europe ranks second only to the UK in size. The success of venture capital is a bit baffling even to the Dutch, but they explain that there is a very long history of risk capital going back to the East and West Indies overseas trading companies in the 17th century. Amsterdam's free-wheeling role as an international financial centre also has created an open environment for new ideas about financing business.

The Dutch Government has fostered the risk-capital industry through the establishment in 1981 of the Particuliere Participatiemaatschappijen (PPMs) programme, a scheme in which the state guarantees 50 per cent of a recognised venture capital company's eventual losses. The amount of funds invested under the PPM scheme had more than quadrupled to Fl 153m at the end of June 1986 from Fl 36.4m at the end of 1983, although that is only a fraction of all venture capital. Many venture capitalists argue that the criteria required by the Government to be recognised under the PPM scheme hamper their flexibility and they prefer to do without the state guarantee.

The biggest venture capital company in the country is the *Maatschappij voor Industrieele Projecten* (the MIP), which is 57 per cent owned by the Government and 43 per cent by banks, insurance companies and pension funds. The huge MIP, with authorised capital of Fl 1bn, is one of the world's larger funds. It was established in 1982 with the aim of "promoting on a commercial basis projects which can make an important contribution to the strengthening of the industrial activity and the commercial service sector of the Netherlands."

Regional venture capital funds use money from provincial and municipal governments to promote the local economy, with profit-making usually a secondary aim. One of the best-known regional funds is the Limburg Institute for Development and Finance (LIOF), which was founded 11 years ago to help rebuild the provincial economy following the closure of the coal mines in Limburg.

As the MIP and the regional venture capital funds mature, however, they are seeking—sometimes haltingly—more freedom to make their own investment decisions without pressure from the Government. The economics ministry agrees with this move, and in July announced plans to gradually quit guaranteeing loans for regional venture capital funds and instead to take equity stakes. The regional funds will no longer need to have official approval from the ministry and provincial governments for their investment decisions.

Not surprisingly, some state-backed venture capitalists are more eager than others for greater freedoms. The MIP, for example, has always claimed to operate independently from the Government, but is showing signs of wanting even more freedom. Mr Jan Blaak, who took over in October as the new director of MIP, hopes it eventually will gain a listing on the Amsterdam stock exchange.

Mr G. A. Bernelot Moens is chairman of the supervisory board of the Overijssel Development Company (OOM), the venture capital fund for the province of Overijssel, where authorities have grown increasingly impatient with the OOM's need for fresh funds. As provincial authorities have sought to take more control over OOM, Mr Bernelot Moens has answered that more commercial independence might be the best answer. In an interview with a Dutch paper earlier this year he said, however, that OOM could never be a completely profit-oriented business. "Then the company steps out of the playing field between the Government and industry, and that's why it was established."

Companies using venture capital, for their part, also are seeking greater efficiencies by planning their presentations more carefully and looking harder for Government subsidies and grants. The mixture of venture capital and state money has proved successful in drawing a batch of small, promising high-technology companies to the Netherlands in recent years.

A Dutch version of Silicon Valley has sprung up in the southern provinces. There is an abundance of know-how from Philips, the Dutch electronics giant, and eager local governments. Sierra Semiconductor is a California-based maker of custom microchips in which the MIP and BOC, the Brabant provincial venture capital fund, together have invested nearly $10m.

Laura Raun

PPM investments by industrial sector

	No. of companies in which PPM-covered investment has been made June 1986	December 1983
Construction and construction supplies	13	6
Production of computer equipment	25	8
Production of other machines	26	8
Production of raw materials	9	6
Production of consumer goods	15	6
Production of edibles	9	3
Other production	31	2
Trade	23	7
Business services	24	4
Other services	11	—
Total	186	50

Source: Dutch Central Bank

Europe

An armoury of incentives

THE EXPLOSION in venture capital witnessed in Britain in recent years is now spreading gradually, if unevenly, across the rest of Europe.

According to the European Venture Capital Association (EVCA), the availability of equity finance for small companies in the community expanded sharply last year by 38 per cent to Ecu 6.6bn (£4.75bn), with increases ranging from 10 per cent in Belgium to just short of 120 per cent in Italy.

The EVCA report identifies some 244 venture capital providers, which it estimates is about three-quarters of the total, as against the bare dozen or so that existed in Europe at the turn of the decade. This giddy expansion in a form of finance which, as little as five years ago, was considered by many to be no more than a fashionable fad is fuelled by a complex but deep-seated mixture of factors.

Governments of all political colours, from Britain to Belgium, West Germany the Netherlands and France, have produced a veritable armoury of incentives to boost venture capital, which they see as an important contributor to the battle against unemployment.

Meanwhile, large numbers of institutional investors have been tempted to try their hands at unquoted investment, so that pension funds and insurance companies now account for almost 29 per cent of EEC venture capital.

Initially, they were tempted by the impressive gains notched up by their US counterparts in venture capital early in the decade, though many European risk investors now feel cautious about putting cash into new funds, because of the sharp declines in valuations experiened by young high technology ventures on both sides of the Atlantic.

All this has been made possible by the growth throughout Europe of small company stock markets, providing the essential mechanism by which unquoted investors can take out their profits. Starting with the UK's Unlisted Securities Market six years ago, and followed by counterparts in France and the Netherlands, some kind of public exit route now exists in most EEC countries.

The EEC itself has been active in promoting small company investment. Only last month, community finance ministers agreed in principle to an Ecu 1.5bn loan programme for small and medium-sized ventures. This will raise finance from international capital markets for on-lending to small businesses at cheaper rates than they could obtain on their own. While not venture capital in the strict sense, it does aim to provide a type of finance that normal commercial sources cannot supply.

However, the Brussels authorities' efforts to promote more innovative forms of finance now look as if they may be frustrated by the perennial battle over the EEC budget, a problem that will test to the limit the skills of the aggressive new European commissioner for small business, Mr Abel Matutes.

The EEC's interest in risk finance dates back to 1980, to the publication of a study commissioned from Professor Andree Piatier, of Paris University, identifying a serious European shortage of finance for small technology companies, especially when it came to seeking funds to back international projects.

A subsequent pilot study by Britain's 3i with Belgium's Prominvest and Italfinanziaria Internazionale of Italy attracted proposals from 20 small European companies seeking help to trade across community borders.

"The whole focus was to get managers to think European. This is the only way we can get small high-technology firms on to an equal footing with their counterparts in places like Boston's route 128, where the market is that much more open," says Mr Dennys Watson, head of the commission's task force for industrial innovation.

The key to that, argued the commission, was to find a way of encouraging Europe's venture capitalists to work more frequently in international syndicates. Starting with an initial meeting of 40 venture groups in Brussels four years ago, the Commission then agreed to back the formation of EVCA until the end of 1986.

So far, the EVCA's main role has been more as a talking-shop than a marketplace for cross-border syndicates. As the association admits, well under a tenth of community venture-backed projects are of a cross-border nature.

Nevertheless, a sign emerged last year that ambitious European ventures can get off the ground with the formation of European Silicon Structures (ES2), a $65m pan-community custom microchip start-up, with operations in Britain, France and West Germany.

Led by Dr Robb Wilmot, former chairman of the British computer group ICL, with Mr Robert Heikes, head of the US group National Semiconductors' European operations, the enterprise raised funds in six European countries and is among the most visionary high technology investment attempted in the Community.

ES2 was also one of the first ventures to reuse cash—Ecu 200,000 out of its Ecu 3.6m first round—from another commission project, the sol-called Venture Consort scheme. Launched early in 1985, with funding so far of Ecu 3.3m, the scheme provides grants of up to Ecu 200,000 or 30 per cent for investments made across borders by EVCA members.

At first it was met by an embarrassing lack of interest, with not a single proposal coming forward for six months. "At least it meant we were not trying to support something which existed anyway," says Mr Watson. But after the publicity brought by ES2, proposals piled up. Venture Consort has now helped 18 ventures to raise Ecu 35m, 12 times its own contribution, a level of gearing which has pleasantly surprised the commission.

The EVCA believes that another 110 community projects could benefit from Venture Consort-type funding, but the outlook is clouded by the fact that several member states appear keen to cut the Ecu 10m sought by the Commission for small and medium-sized business schemes next year. Budget disciplinarians—like Britain and West Germany in particular—are anxious that the EEC does not spend money duplicating what might be done by the private sector.

William Dawkins

Equity finance for small companies in Europe

Country	Estimate end-1985 (million ECU)	Increase on 1984-85 (%)	Percentage of total
Belgium	535.1	10.3	8.12
Denmark	127.2	39.3	1.93
Spain/Portugal	404.0	63.8	6.2
France	887.6	30.3	13.47
Greece	19.8	75.4	0.3
Ireland	169.3	35.1	2.57
Italy	90.9	119.8	1.38
Netherlands	1 074.2	32.1	16.3
FRG	562.1	57.1	8.53
UK	2 715.1	42.6	41.2
Total EEC	6 590.0	38.0	100.0

Source: European Venture Capital Association

Dr Robb Wilmot (left) and Mr Robert Heikes lead ES2, which has raised funds in six European countries.

Japan

Trapped by the downturn

THE RECENT string of business failures among once-promising venture businesses has undermined the confidence of Japan's venture capital companies.

There had been 38 business failures this year up to October, with total liabilities amounting to Y115bn, compared with 21 cases with debt total of Y15.6bn in the whole of 1985. What dismayed the venture capital companies was that 16 of the failures had been provided with abundant money from venture capital companies.

In particular, the collapse of the five most promising venture businesses—Sanwa Kizai (in March, with debt of Y11bn), Dainichi Sangyo (April, Y33bn), Kangyo Denki Kiki (July, Y12bn), Miroku (August, Y26bn) and Dainichi Kiko (August, Y5.5bn)—are believed to have caused substantial losses to some of the nation's 81 venture capital companies.

The venture businesses were vulnerable to the downturn of the economy caused by the yen's steep appreciation. But close scrutiny revealed that many failures stemmed from excessive investment in stocks and other securities, as well as plant and equipment based on insuffcient assessment of future demand and marketing capability.

For example, Dainichi Sangyo, the Tokyo-based sales company for do-it-yourself goods and construction materials, raised about Y7bn in the year 1985-86 to improve its premises and boost new product development. The company collapsed as a result of speculation and the golf club membership. Dainichi Sangyo's president confessed that he had lost a lot of money in his transaction with Sanyo Kosan, a dubious stock speculator group which went under this summer.

Kangyo Denki Kiki, an electronic component maker, which failed in July, had once received widespread publicity for a sheet coil, which the company boasted was "an invention once in 50 year's." Kangyo Denki, however, went under after a sales slump had prevented it from repaying some Y7bn raised for plant construction from venture capital companies. This amount is two-and-a-half times the company's annual sales.

There is intense competition among venture capital companies to get a toe-hold in Japan's most promising venture businesses. Venture business can sell their stocks much higher than their true worth at the time of private placement, said the official of Japan Associated Finance Co (JAFCO), the largest venture capital company affiliated with Nomura Securities. As venture businesses can raise funds so easily, they tend to lose their sense of sound management.

The American-type venture capital companies crossed the Pacific in 1972. They numbered eight, mostly affiliated with securities houses and banks such as JAFCO or Diamond Capital which is linked to the Mitsubishi Bank. The number had leapt to 81 by March 1983. And the balance of their investment surged to Y200bn by the end of 1985, from only Y12bn in 1982.

The rapid expansion in the past few years has arisen from the introduction of innovative fund-raising methods, utilizing an investment union. When a venture capital company forms an investment union, it gets management commission equivalent to 3 per cent of capital raised annually for investment in venture business. Contributed funds are repaid in 10 years, usually with annual return of 20 per cent. Since 1982, JAFCO has established 12 such unions and raised some Y80bn through the scheme. It thus had the highest balance of venture business investment, Y46bn, at the end of March.

Salient feature of the Japanese venture capital industry are: the predominance of securities-house affiliated companies; and, to a lesser extent, of bank-affiliated companies. This leaves only few independent venture capitals, in sharp contrast to the US industry where independent account venture capital accounts for 60 per cent.

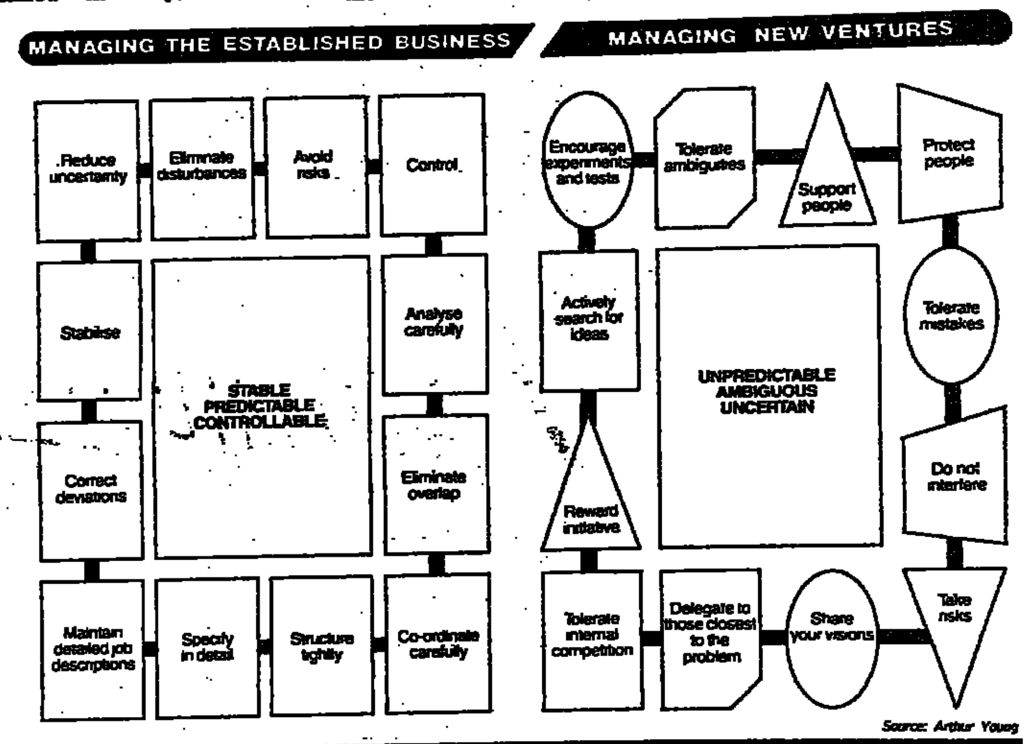
Faced with a series of business failures by venture businesses, a group of Japanese venture capital companies are planning to form an association to bring self-regulation to the loosely-managed venture capital industry. Excess competition led venture capital companies to acquire shares of venture business with an inadequate assessment of their management and growth potential.

Sixteen venture capital companies affiliated with securities houses, led by JAFCO, are planning to establish a tentatively-named "Nippon Venture Capital Association." They will try to set standards for spotting and funding promising venture businesses, and will require venture businesses to accept an audit of their accounts.

The association is also considering asking the Ministry of International Trade and Industry and the Fair Trade Commission for some changes in administrative regulations which, based upon the Anti-monopoly Law, say venture capital companies cannot invest in venture businesses with the objective of seizing management control.

This guideline prevents venture capital companies from sending their own people to sit on a venture business company's board. The association intends to ask the MITI and the FTC at least to allow them to send in executives to protect their interests.

Yoko Shibata



Source: Arthur Young

Intrapreneurship offers a method by which a large company can retain the virtues it needs to run the existing business, and at the same time behave in an innovative way.

Corporate venturing

'Igniting a small spark'

THE CORPORATE contribution to the UK venture capital industry remains small — even smaller if the contribution from foreign companies to venture funds raised in the UK is taken out.

Faced with the slowness of corporate venture commitments to develop, organisations like 3i have switched attention to spin-outs, the hiving off of projects and their management teams into small companies.

Some have taken a step farther back from venturing and are aiming to educate corporations into a particular brand of entrepreneurship, known as "intrapreneurship." This is the "igniting of a small business spark within a large business environment," as Mr Ron Lord, management training director of accountants Arthur Young, describes it.

A recently published survey by the UK Venture Capital Journal credits corporations with raising less than £10m in 1985 (out of the £278m total) — which compares with £17m in 1984, 7.3 per cent of that year's total. "Only four UK venture capital groups are known to have raised capital from industrial corporations," said the Journal.

Ms Susan Lloyd, of Venture Economics, which publishes the Journal, said that the UK lagged seriously behind both continental Europe and the US. "Over 100 American corporations are involved in corporate venturing proper, and on the continent companies such as Olivetti and Elf Aquitaine have invested — but in the UK the whole business hardly exists."

The main reasons suggested for the slowness of UK corporations to get into the venture capital field centre on the organisation and structure of most companies. Exacerbating these problems is the lowly status within the management hiererarchy accorded to the in-house venture capital enthusiast/expert.

Rather than batter away trying to persuade corporations to invest directly, a more educative approach has been developed. Mr Geoff Taylor, of 3i, said that he was concentrating on "trying to interest companies in sponsored spin-outs."

In such schemes, 3i expects a three-way ownership structure to emerge — one part the parent, another the operating management and the third the venture backers of the project.

"We looked at a handful of projects—including the Advanced Computing Techniques spin-off from ICL," said Mr Taylor. "We are trying to convince companies that new products will be developed faster and more cheaply through a stand-alone unit in which the management team works like crazy."

For Ms Lloyd, spin-offs are not venturing in the proper sense of the term. "They should constitute only a very small part of corporate venturing," she said. "What makes a difference is whether the parent company is pursuing a strategy—then the spin-off would be a venture and not just a one-off exercise." After its ACT experience, ICL may be inclined to pursue a divestment programme for its research and development cells.

In fact such "investments" do not necessarily need to involve much or any risk for the parent company—except perhaps the cost of a capitalised and then heavily written down, tax deductible research and development project.

However, for Mr Taylor, among the advantages of the spin-offs are that those who will be leaving the parent company to set up the new unit need not risk their personal all, do not have to go all through the process of quitting their jobs, and so on. "It may be a half-way house, but that doesn't mean that there's anything wrong with that."

Arthur Young, taking a leaf out of the success of the Foresight group in Sweden, have designed training courses for would-be intrapreneurs.

Mr Lord believes that traditional company structures "create barriers to innovation. The motto is safety first and risks are frowned upon," he argues. And therefore "new ideas are hardly likely to flourish."

A lot of what Mr Lord suggests for intrapreneurship sounds like good management rules anyway—which is, of course, what they are supposed to be. The emphasis is on tolerating the perhaps somewhat troublesome self-starter, allowing ready access to an amenable top management, establishing support mechanisms and allowing for failure as a serious (but not earth-shattering) possible outcome.

Schematically, Arthur Young, contrast the management of an established business with that of a new venture. The word "tolerate" appears frequently in the second flow chart—whereas the first is dominated by stability, control and risk avoidance.

In the longer-term schemes like intrapreneurship and the spin-offs should start to alter a corporate culture within which, so far, venturing has failed to flourish.

Terry Povey

Management buy-outs

Finance aplenty to back deals

THE EMERGENCE of the management buy-out is one of the most remarkable developments seen in the UK corporate finance business over the past few years.

At the start of the 1980s, the technique was virtually unheard of in Britain. At best, it was a means of making a last ditch rescue attempt at an ailing business. Now it is one of the fastest growing parts of the takeover scene and involves some very large companies. The biggest buy-out to date in Britain was the £173m sale last year of Mardon Packaging (now called Lawson Mardon), a subsidiary of BAT Industries.

The idea really came of age in 1985, when some 230 deals were done, involving about £1.2bn of funds—a fourfold increase on 1984—and this year will see another big leap.

The buy-out is one of the safest investments in the venture capital industry—unlike potentially risky start-up companies, a buy-out candidate will have a solid history and asset backing—and hardly a week seems to go buy without new sources of finance being announced, or the emergence of sophisticated new techniques.

The latest refinement, which could develop into a significant trend, is the so-called management buy-in, when a team of outside managers, with the backing of a group of institutions, launches a bid for a company it considers to be poorly run. The most breath-taking example of this is the current bid for Simon Engineering by a management team headed by Mr Philip Ling—who last year led an innovative buy-out at engineering group Haden.

Like many other elements of the UK venture capital business, the buy-out originated in the US, where it has been an accepted technique for many years. It started to gain currency in Britain at the start of this decade, helped along by a small group of pioneer investors, including Investors in Industry (3i), which has been financing buy-outs for 10 years, and Candover Investments.

Initially, the kind of company involved was fairly small. Typically, it might be a troubled subsidiary that a parent company was only too happy to get off its hands, a family company where the owners wanted to hand on control, or one rescued from the receiver.

But, as the phenomenon has developed, it has embraced a much wider range of causes. Buy-outs now often stem from a large conglomerate re-defining its corporate strategy and deciding to sell off perfectly healthy subsidiaries which it no longer regards as core. Examples include Grand Metropolitan's sale of its Mecca Leisure business for £97m, and Cadbury Schweppes' disposal of its food and beverages division (now called Premier Brands) for a similar amount.

Buy-outs have also been carried out at companies that are quoted in their own right, rather than subsidiaries of larger groups. The first was Haden, which did so early last year. In fact, it scored two firsts, in that this was the first successful buy-out in the UK of a company as a defence during a takeover bid. Haden's management group bid £56m to defeat a hostile £37m takeover attempt made by Trafalgar House. The management of McCorquodale recently tried to do the same thing to ward off a hostile offer from fellow specialist printer Norton Opax, but lost the battle.

The problems of attempting a buy-out at a quoted company were graphically underlined when the management of Molins, the manufacturer of cigarette-making machinery, failed in a £50m offer for the company. Molins' institutional investors believed the management would be getting the company cheaply, and they did not relish the idea of the backers of the buy-out making large capital gains if Molins returned to the stock market in a few years' time. Whatever the pros and cons of this particular case, there is no doubt that investors in buy-outs can reap a very attractive return on their stake.

There are two ways for an investor in a buy-out to realise capital gains. First, by a sale of the business to another company. Haden, for example, sold most of its UK operations to BICC little more than a year after mounting the buy-out. Second, by coming to the stock market in a public flotation: the route already taken by Mecca Leisure less than a year after its buy-out.

Total number and value of management buy-outs in the UK 1967-85

Year	No.	Cum. No.	Value (£m)	Cum. Value (£m)	Average Value in Year (£m)
1967-76	43	43	n/a	n/a	n/a
1977	13	56	n/a	n/a	n/a
1978	23	79	n/a	n/a	n/a
1979	52	131	26	26	0.50
1980	107	238	50	76	0.47
1981	124	362	114	190	0.92
1982	170	532	265	455	1.56
1983	205	737	315	770	1.54
1984	210	947	255	1,025	1.21
1985	229	1,176	*1,150	2,175	5.02

* This total increases to over £1.2bn if certain confidential and bank deals are included.

Source: Centre for Management Buyout Research and Venture Economics

According to a recent survey by Venture Economics and the Nottingham-based Centre for Management Buy-Out Research, the time between buy-out and flotation is getting noticeably shorter. The average is just over two years, and by September this year seven of the 1985 buy-outs had already gone public—all of them at a significant increase in valuation.

The financial structure of a buy-out consists of a series of layers of different types of financial instrument. The first is ordinary shares, which usually accounts for a relatively small proportion of the funds required, with the balance made up of preference shares, subordinated loans or debentures and ordinary term loans and bank overdraft facilities.

A vital component of the package is getting the right mix of debt and equity to enable a bought-out company to service its borrowings. In the UK, the ratio of debt to equity is normally between 5:1 and 5:2; while in the US it is more typically 9:1. The Venture Economics review says that the UK could move more towards the US pattern over the next few years, since several institutions with experience of the American pattern intend to become more aggressive in the area.

It also warns that the stock market boom of the past year has increased the price a management must pay to launch a successful buy-out, and that this "may well put severe pressure on the cash-flow required to service the buy-out debt."

As the phenomenon has grown, so have the sources of finance available. The last 18 months has seen the establishment of several funds designed primarily to back large buy-outs, often defined as those with an equity investment of over £10m.

Citicorp, the US bank, which was one of the first of the UK buy-out specialists, has a £100m fund; Schroder Ventures, an offshoot of J. Henry Schroder Wagg, the merchant bank and the brains behind the Haden deal, has one of £75m; Charterhouse Development Capital has just set up a £100m fund; and one of £260m—the Electra Candover Direct Investment Plan—pooling funds from over 35 British and American institutions.

The Electra-Candover fund backed the proposed McCorquodale buy-out, but at the time of writing had yet to complete an investment—nearly a year after its establishment. According to Mr Roger Brooke, chief executive of Candover, that is a reflection of the bull market and the high price that listed companies are willing to pay for businesses which might otherwise have gone the buy-out route.

Martin Dickson

Analysis of larger management buy-outs by deal leader

	Number of deals
Citicorp Venture Capital	9
Candover Investments	8
Investors in Industry	7
Charterhouse Merchant Bank/ Development Capital	5
Bankers Trust International	4
Lloyds Merchant Bank/ Development Capital	4
Barclays Development Capital	3
Granville	3
Prudential Venture Managers	3
Electra Investment Trust	2
Guidehouse	2
Kleinwort Benson	2
Others (one deal each)	13
No identifiable deal leader	7
	72
Less: Joint deals	9
	63

Source: Peat Marwick

Lucius Cary (left), the entrepreneur who set up Seedcorn Capital; and Sir Philip Harris, whose money started the fund that gives advice and small quantities of cash to the under-40s.

Seed capital

New stability in the high-risk area

THE IDEA that from a tiny acorn mighty oak trees could grow has been at the heart of the rise of British venture capital. Yet its phenomenal growth over the past six years has not provided the financial fertiliser the UK's seedling enterprises need.

The inventor or entrepreneur with the germ of an idea is likely to get short shrift from the venture capital community. To the venture capitalist, the sums of money he is asking for are paltry, and he may well be advised to go to the bank. To the banker, the proposition involves risk-taking, which is not as bank's business.

This catch-22 may have far-reaching consequences. The UK is known to be hot on research and development, but not so good at commercialising their results into world-beating products in global companies within growth industries. Nor is the rest of Europe far ahead in this league – the countries to conjure with are Japan and the US.

Venture capitatists have fought shy of the very early stage investments – seed finance to back an entrepreneur compiling a business plan, and start-up money to get a company set up and installed in premises – because they need a great deal of time and attention if they are to have a hope of success. They are at the highest risk end of the spectrum, and therefore highest potential reward, and some observers find the venture capital community surprisingly risk-averse in parts. But for most it is the sheer cost of keeping such investments on their books which acts as a deterrent.

Where seed investments have been made, there have been some rude shocks. Last year the Prudential decided to take the portfolio of Prutec, its fund set up to finance very early stage technology projects, in with its larger development capital fund Pruventure. Some early failures had prompted the move, which aimed to spread the risk by having a single portfolio with companies at a range of stages of development within it.

It looked as if the day of the fund dedicated to nurturing seed ideas into businesses had come and gone. Now, though, the seed fund is making a comeback, and there are reasons to believe that it is here to stay.

Seedcorn Capital was set up at the beginning of 1984 by Lucius Cary, an entrepreneur who founded the venture capital contact magazine, Venture Capital Report, as well as running his own hamburger joint in Bristol, in the late 1970s. He soldiered on alone, though, until last year, when Prelude Technology Investments was born out of the work of Cambridge Consultants to back seed and start-up technology companies. Late in 1985 The Young Entrepreneurs Fund was started with cash from Sir Philip Harris, of Harris Queensway, emphasising constant advice and small dollops of money for people under 40.

This summer the JMI Seed Capital Fund raised £1.6m from financial institutions, including an investment trust and a venture capital fund, APA Ventures II. And a new fund Oxford Seedcorn, is preparing to enter the fray.

Birmingham Technology, set up when Aston Science Park was designated to back businesses there, and New Cambridge Research, part of Newmarket, are two of a kind in setting up where there are known to be research ideas waiting to be commercialised.

Conventional wisdom may be changing a bit," says Lucius Cary, who is managing a new fund, Seed Investments, for APA. "I have been arguing for a long time that you can make money out of this kind of investment. I believe the seed capital industry is in the same position now that venture capital was in 1978.

"I think that venture capital companies will establish their own seed funds to sow seeds for them to provide the next tranche of capital. There are a lot of things slipping through the floorboards in the UK, but there are beginning to be people with nets who are catching some of them."

According to Peter Englander at APA, the fund's investments in JMI and Seed Investments are a source of future deals it could not otherwise hope to find. This pressure for the next generation of companies to back is now exerting a push for seed financing, according to John Hustler, venture capital partner at accountants Peat, Marwick Mitchell.

Cary's first fund illustrates how seed financing ups the stakes on the risk-reward spectrum. Two out of five have failed, but two of the remainder are in cumulative profit. Cary says he would not sell the portfolio, which he bought for £123,000 including the failures, for less than £250,000.

His investments are varied. Select Information Systems grew from the British Library's request to a couple of reprographic engineers to design a photocopier which could copy rare books without damaging their spines—it is now manufacturing to an order for 100 machines from a distributor after selling to the Bodlean library and museums in Florence. Another is developing materials which are X-ray readable and software to decode the message for labelling in the laundry industry. The third, Bell Plastics, sells specialist plastics abroad.

Other seed investments show how much time and effort is needed to get them off the ground. One of Prelude's seeds has just graduated to being a start-up by virtue of its technology becoming proven. Elmjet has a computer-controlled full-colour jet printing process, useful for consumer markets like wallpaper printing because it is easy to change the pattern.

It has taken Elmjet a year to get to the point where it can begin developing the production unit with that technology. Prelude put in £5,000 initially, and progressively drip-fed it while helping the entrepreneurs to write the business plan, to go to the Department of Trade and Industry, and find a chief executive.

Conventional venture capitalists do sometimes back seed projects too. One of Europe's biggest start-ups, European Silicon Structures (ES2), initially raised £20,000 from Advent Capital to write a business plan for what Advent thought was a well thought out idea from a first class team.

Set up to design and manufacture custom chips in low volumes, ES2 went on to get backing first from all Advent's European associates, then to raise $36m from venture capitalists. Despite its size, it is still technically a start-up, with a little revenue from design services, and Advent sees it staying there for another year.

Telebeam, a company quoted on UTC's over-the-counter market, was a classic case of an inventor walking through Advent's door clutching a cardboard box. With £650,000 of finance in three rounds from three venture capital funds it is currently working on producing its hand-held teletext receiver.

Britain may have the lead in Europe on the venture capital front, but it needs to look to its laurels on seed capital. When the proliferation of new young companies in Cambridge was first chronicled the phenomenon was the most developed in Europe. Now word is reaching Cambridge that small firms in West Berlin and Grenoble are showing a higher success rate.

Sue Landau

Seed financings in Europe

	Ecu '000s 1985 amount	1985 per cent*	1984 amount	1984 per cent*
Belgium & Luxembourg	74	0.1	—	—
Denmark	100	0.7	764	2.9
France	2,534	3.0	2,424	4.0
Germany	10,514	9.6	1.782	5.2
Greece	—	—	—	—
Ireland	3,297	10.6	783	12.3
Italy	201	1.1	752	6.0
Netherlands	5,276	4.9	3,381	10.9
Spain†	524	0.5	95	0.2
UK	5,111	1.4	9,620	3.8

* Percentage of that country's venture capital financing which was seed capital.
† No activity found in Portugal for the period.

Source: Peat Marwick Mitchell

The Business Expansion Scheme

Funds yield ground to direct issues

IN THE past few years the Business Expansion Scheme has been criticised as a nefarious form of investment; a tax ploy to make the rich richer; and a goldmine for unscrupulous sponsors. It has also emerged as one of the Government's most successful exercises in generating investment for venture capital.

The scheme was launched in 1983 as an extension of the short-lived Business Start-Up Scheme. Although the venture capital industry had flourished in the early 1980s, the Government was concerned that venture capital institutions were reluctant to provide finance for "riskier" ventures, such as the high-tech companies it sought to nurture. The Government was eager to find a way of persuading individuals to invest in venture capital.

The solution was the BES, in which individuals would be encouraged to invest in riskier venture capital projects by the prospect of generous tax advantages. Thus individuals may invest up to £40,000 a year in BES companies and receive tax relief at their highest marginal rate on the investment.

Companies can raise money through the BES in two ways. First, a company can stage a "direct issue," by publishing a prospectus which invites investors to subscribe for its shares. Second, the company can become part of a BES fund—a portfolio of companies seeking to raise capital through the scheme.

In the early years of the BES, funds proved to be the most popular form of investment, chiefly because investors were unfamiliar with the workings of the scheme and perceived funds as a way of "spreading the risk" or as a more secure investment vehicle.

Funds secured a higher proportion of the money invested through the scheme in the 1983-84 taxation year, but have mustered a declining proportion thereafter. The likeliest explanation seems to be that as investors have become more conversant with the scheme, they have tended to become more indulgent in their choice of investment and have opted for the fun of direct issues.

Yet the BES itself has gone from strength to strength. In its first year, the 1983-84 fiscal year, the scheme raised £105m, according to the Inland Revenue, and £136m in its second year. In its third year, the 1985-86 taxation year, the scheme mustered more than £147m, according to estimates from the BES Magazine.

The amount of money raised by individual BES issues fluctuates wildly. Half the companies raising capital from BES funds or direct issues, in both 1983-84 and 1984-85, received less than £50,000; yet the most successful issue, that of Lockton Retail, sponsored by Guinness Mahon, raised almost £5m last spring.

The range of companies securing capital from the scheme has broadened, too. Book publishers, hoteliers, software houses, and bio-technology centres have all turned to the BES for capital. The last taxation year threw up some even more incongruous ventures, including a theatre in the West End of London and White Crusader, the British entrant in the America's Cup yachting race.

In many ways these more esoteric ventures have been rather better received than the more prosaic businesses. The company behind White Crusader, British America's Cup Challenges, was brutally frank about its financial prospects. Even with financial support from corporate sponsors, such as Guinness, BACC is unlikely to generate enough profit to enable investors to recoup their money before tax relief.

But the tax advantages associated with the BES are so generous—for a top rate tax payer only 40 per cent of the money is at risk—that investors are disposed towards being rather more indulgent than usual in their choice of investment. There were enough yachting buffs around who preferred to think of White Crusader breezing past her competitors, rather than to mull over the flotation prospects of a software house to produce £3.3m for BACC.

If a company decides that its interests would be best served by raising capital through a fund—this tends to apply to companies wishing to secure a relatively small amount of capital or to those with businesses which would not prove particularly appealing as a direct issue—the first priority is to find a sponsor.

Sponsors tend to come from the ranks of the merchant banks, licensed securities dealers, stockbrokers and venture capital houses. They perform much the same sort of role as a stockbroker or merchant bank does for a public flotation: preparing and issuing the prospectus, organising publicity; receiving applications and allocating shares.

Companies deciding upon a direct issue can opt to appoint a sponsor or to organise their own issue with the help of an accountant or solicitor.

The trade magazine, PR Week, successfully raised launch capital by staging its own BES, for example. But the bulk of companies play safe by choosing a sponsor.

The drawback in appointing a sponsor is expense. Most sponsors charge a fee or commission equivalent to up to 5 per cent of the capital raised by the issue. This is a fair price to pay for a successful BES. Yet less scrupulous sponsors have been known to charge as much as 20 per cent.

Such high commissions are not only harmful to the company—in depriving it of capital at a crucial stage in its development—but may deter investors. After all, people buy shares in businesses not to run the risk of the growth potential of their investment being inhibited because a hefty chunk of its launch capital has been salted away by an unscrupulous finance house.

Perhaps the simplest solution for companies is to approach some of the better known BES sponsors, the merchant banks and established finance houses which have too much to lose by running the risk of the adverse publicity surrounding a nefarious issue.

Having appointed a sponsor, the company must receive provisional clearance for BES tax relief from the Inland Revenue. It will apply for final clearance once its issue is closed and it has raised its launch or development capital.

White Crusader . . . one of the year's more incongruous ventures

The rules of the BES have always excluded certain types of businesses. Companies must be unquoted, for example, and cannot go public until five years after the issue. As the scheme has developed, the Government has excluded different categories of business in order to steer the scheme back towards its original entrepreneurial ethos.

First, farming was excluded; then property. In the last Budget the Chancellor plumped for a thorough overhaul of the scheme that replaced these specific exclusions with a general "asset ruling" which prohibited companies in which more than half the net assets are tied up in land or buildings. Yet judging by the flow of BES issues so far in the current taxation year, BES companies and their sponsors have found several ways to wriggle around this ruling, and the flow of issues is as varied as ever.

Alice Rawsthorn

BES investment patterns

Aggregate investment 1983-86

	83/84	84/85	85/86	1983-86
Number of Investments	242	297	219	758
Number of Companies	196	206	171	532
Total Amount Invested (£m)	41.2	49.7	36.4	127.3
Average Size of Inv. (£000)	170	167	166	168

Investment by Industry Sector

Industry Sector	% of Amount Invested 83/84	84/85	85/86	Total (£m)	% of Amount
Consumer-Related	32.3	34.2	55.5	50.5	39.7
Technology	25.9	16.0	9.2	22.0	17.3
Industrial/Manuf.	10.2	15.5	15.6	17.6	13.8
Medical/Health	5.6	7.1	2.2	6.6	5.2
Construction	7.9	4.6	1.4	6.1	4.7
Other Services	8.7	8.6	8.1	10.8	8.5
Other	9.4	14.0	8.0	13.7	10.8
Total	100	100	100	127.3	100

Investment by Size Range—1985/86

Size Range (£000)	No. of Fins.*	% of Fins.*	Amount (£m)	% of Amount
0-24	2	1.2	0.0	0.1
25-49	22	12.7	0.8	2.1
50-99	31	17.9	2.2	6.0
100-199	61	35.3	8.5	23.3
200-499	42	24.3	12.8	35.4
500-999	12	6.9	7.5	20.6
1,000-1,999	3	1.7	4.5	12.4
Total	173	100	36.4	100

*Financings

Source: Venture Economics

New-issue markets

Respectability sought for the third tier

A PUBLIC flotation is almost always the goal of the venture capitalist. Going public offers, at a stroke, the opportunity for institutional backers to realise a profit on their original investment and for the company's executives, the chance to cash in their shares.

Hitherto, public flotation has been limited to the two equity markets under the aegis of the Stock Exchange, the main market, or the Unlisted Securities Market. Alternatively, companies can trade their shares on the over-the-counter market. Early next year the Stock Exchange will introduce another option in its Third Market.

The Stock Exchange envisages the Third Market as a junior tier to the main market and USM. When the latter market was introduced in November 1980 the Stock Exchange relaxed its requirements for public flotation by structuring the market as a more accessible, less rigorously regulated forum than the established stock market.

With the Third Market the Stock Exchange will move a step further. Whereas companies quoted on the USM need to produce a three-year trading record, companies can be quoted on the Third Market from the first day of trading. And while the Stock Exchange's quotations committee scrutinises the accounts of every USM candidate, companies will be able to enter the Third Market provided their sponsor—which must be a Stock Exchange member—is satisfied as to their suitability for quotation.

The Third Market, if it succeeds, represents a very real opportunity for venture capital-backed companies.

Thus the Third Market will function as a formalised version of the over-the-counter market which has sprung up off the Stock Exchange floor.

The OTC market is conducted by a loose grouping of licensed securities dealers who trade in the shares of unquoted companies by a telephone network. Its development has been fraught with problems, but it has succeeded in attracting companies with a collective capitalisation, according to a recent report by the accountants Peat Marwick Mitchell, of £660m.

The OTC market's problems have ranged from illiquidity—dealings tend to be conducted through a cumbersome "matched bargain" basis—to rather more colourful scandals. The Stock Exchange hopes to ease the liquidity problems by involving its member firms in the market. It also hopes that the combination of Stock Exchange administration and sponsorship from member firms will turn the Third Market into a markedly more respectable forum than its rather raffish counterpart, the OTC market.

Whether the Stock Exchange's hopes will be realised remains to be seen. The problems involved in striking a balance between opting for a relaxed form of regulation in order to accommodate the needs of very young companies, while protecting the interests of investors—and the Stock Exchange's reputation—should not be underestimated.

Similarly the wisdom of "delegating" responsibility for scrutinising the record and prospectuses of would-be Third Market companies to Stock Exchange members is questionable. It is tempting to conclude that the Stock Exchange has chosen this route, not only to reduce the administrative work involved in vetting Third Market prospectuses, but so that any "blame" for the failure of Third Market companies will be attached to their sponsors, not to the Stock Exchange itself.

It seems unlikely that the Stock Exchange could escape unscathed should there be a series of colourful collapses on the Third Market. Equally, the prospect of shouldering responsibility for the fate of young companies may deter many Stock Exchange member companies from Third Market sponsorship.

The larger securities houses already complain that sponsoring new issues on to the USM is rarely cost-effective. Most engage in sponsorship as a "loss leader," in the hope that dynamic young companies will generate corporate finance work in the future. In the case of Third Market sponsorship, the question of profitability will be compounded by risk to reputation.

That said, the Third Market, if it succeeds, represents a very real opportunity for venture capital-backed companies. The Third Market will accept companies from start-up onwards and, unlike the USM or main market, will be able to deal in the shares of Business Expansion Scheme companies from their inception.

Thus the Third Market could provide a sorely needed source of capital for venture capital companies, as well as a forum for dealings in their shares—a rather more liquid forum than the OTC market—and an environment in which young companies can find their feet before going public on one of the two more formal equity markets.

To be successful, the Third Market will need to attract sponsors, market makers and, most important, companies. The Stock Exchange claims that, since it first announced proposals for the market's formation, it has received indications of interest from 28 member companies prepared to act as sponsors, from six prospective market makers, and from 63 companies.

The most comprehensive preliminary research on the market's prospects has been compiled by the accountants, Touche Ross. This study suggests that the Third Market will appeal to young companies with pre-tax profits of less than £500,000. It estimates that 20 companies will join the Third Market on the first day of dealings and that 200 will have joined by the end of its first year.

Given that it took the USM almost three years to recruit 200 companies, the Third Market will have achieved an impressive growth rate if it meets Touche Ross's expectations. It will also provide an exciting opportunity for venture capitalists and the companies they invest in.

Alice Rawsthorn

Venture Capital 8

Performance

Why it's hard to get at the records

IT MIGHT seem to the outsider that the venture capital industry has been around for long enough to accumulate a substatial statistical record, but that is far from the case. Most venture capital companies are less than adventurous about quoting their performance records; and those that do choose measures so varied as to make comparison meaningless.

Part of the reason for the industry's reticence lies in the preponderance of private companies—41.6 per cent of the total, according to the British Venture Capital Association's 1985 report. Many of the remainder are captive funds—wholly-owned subsidiaries of financial institutions—which leaves the option of "burying" the figures in the overall group accounts. But the statistical difficulties are undoubtedly significant.

Any fund that is a long term investor might be entitled to claim that, since venture capital groups resemble investment trusts, asset growth is the legitimate performance measure. Electra Investment Trust, for example, which specialises in investments in the unlisted sector, reported interim results recently which saw a rise in net assets per share of nearly 6 per cent at a time when the FT Actuaries All-Share Index was falling by over 5 per cent. Attributable profits were up 10.4 per cent at £3.39m.

But Mr Michael Stoddart, Electra's chairman, said at the time of the results that emphasis on the unlisted sector meant that capital growth tended to be uneven, and measurement of success had to be made over a number of years, rather than over individual reporting periods.

There is a further snag: by being unlisted, there is no objective market price by which the investments can be valued. Neill Cross of 3i, which made pre-tax profits of £46.2m last year, explains the problems: "You could look at the p/e ratios for quoted companies in the sector and then allow a discount," he says, "but if the investment is loss-making, you have to start looking at the underlying assets." Even that approach, of course, has its difficulties when considering investments in sectors with traditionally low net asset values, like computer companies.

Firms have a tendency to be conservative in their annual reports, but rather more bullish when tapping investment institutions for more money. One institution which claims an ultra-conservative approach is Midland Bank Equity. "We don't revalue unquoted investments except when they are realised" said the group's Mr David Hutchings. "That prevents our figures being cluttered with director's valuations."

In its last published figures, Midland Bank Equity made pre-tax profits in the year to September 30, 1985 of £5.3m, compared with £4.1m the previous year.

If there is no common ground on measuring the value of assets, that makes comparison of returns on capital employed impossible. Simply valuing the assets at historic cost would discriminate against those funds with long-term investment strategies. The same objection applies to looking purely at revenues or pre-tax profits.

Even the definition of venture capital itself causes a problem. Many would only allow equity stakes to be included. For a group which makes both loan and equity investments, that means the headline pre-tax profit figure cannot be used for comparison with other funds.

Mr David Osborne, chief executive of Hill Samuel's Fountain Development Capital, claims that the group's first fund has achieved an annual rate of return of 35 per cent per annum. That includes three companies which have joined the stock market since Fountain first invested, and four more that will be floated in the next 18 months.

As vice-chairman of the British Venture Capital Association (BVCA), Mr Osborne has had time to reflect upon the requirements for good fund performance. "Those funds which do well," he believes, "pay a lot of attention to examining the merits of the company before they invest and are closely involved afterwards in the development of the firm."

A balanced portfolio is also important. "There should be a mix," he says, "between companies with UK and international markets, between the early stage and the more mature and between hi-tech and widget makers."

Venture Economics conducts a survey of the venture capital industry on behalf of the BVCA but does not include figures on performance. Its 1985 report showed that the total amount invested had increased by 71 per cent, to £324.6m from £189.6m, and that the average size of investment was £318,000. Just over 85 per cent of funds were invested in the UK, with the US (11.7 per cent) the next most popular. Consumer-related companies (19.6 per cent) narrowly led computer-related (19.1 per cent) as the most favoured sector.

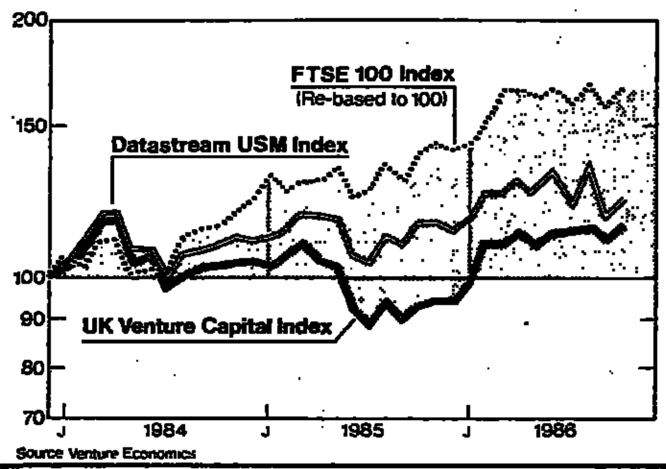
Each fund, of course, monitors its own performance closely. Midland's David Hutchings analysed all the group's investments and found that to date 13 per cent had at least realised the original investment, 13 per cent had failed to do so, and the remainder was still on the books. Our Price and Tie Rack have been among the most successful.

But some kind of objective measurement must be agreed on soon. Already Mr Osborne, of the BVCA, has noticed that some groups have had difficulty raising new finance because institutional investors are waiting to see how the industry is performing. This new industry should not die through lack of information.

Philip Coggan

Dr Neil Cross . . . "If the investment is loss-making, look at the underlying assets."

UK VENTURE CAPITAL INDEX



Source: Venture Economics

Academia

Parks bridge the ideology gap

THE LINKS between the academic world and the venture capital business are often surprisingly slender. Despite tremendous progress in recent years in forging a greater understanding between the two, few people in either camp would deny the existence of a curiously large ideological gap.

Unless it is exploited, an invention might just as well stay unknown, is what American venture capitalists say. They rigorously pursue a national policy of cementing and formalising the relationship between academic research and performance-hungry capital. In the UK the pressures to unite capital with technological ideas are less demanding.

Still, the gap is slowly narrowing as sources of venture capital increase and the amount of government finance available for research continues to shrink. Science parks are a booming business, and a number of entities aimed at smoothing the commercial path of pure research—in effect venture capital middlemen—are springing up.

Investors in Industry (3i) spreads its tentacles through the academic world in four main ways. It meets regularly with the universities' own liaison groups; it has a regional network of research scouts; it finances a joint venture company with Research Corporation of the US; and it has a joint exploration company with Imperial College, London.

3i is increasingly welding more formal and systematic links with academic research through Research Corporation Limited (RCL), its joint venture with Research Corporation, the leading US technology transfer group. RCL is essentially an operation in which 3i's financial muscle is supplemented by the US group's long-established skills at fostering technology.

RCL has been in operation for around two-and-a-half years and has still to cover its running expenses, says 3i. But the company is expected to break even by 1988. It tends to put forward sums in the £25,000 to £50,000 range per individual project, and sees its role as financing the intermediate gap—"the embrionic capital gap"—between ideas and a business start-up.

Once RCL has drawn up formal contracts, a university or poltytechnic can expect to receive 60 per cent of the net proceeds from any commercial use of a given project. RCL protects ideas with patents and sets about promoting research with clients or customers, most of whom have standing orders on 3i's books for specific research ideas.

It is a difficult and highly personalised business, as RCL is at pains to stress. A contract provides researchers with a quick commercial assessment of their work: RCL gets immediate access to both the project and the people involved, an interaction that can often lead to spin-offs. At present RCL has something like 400 projects in hand.

Last month the three groups unveiled Imperial Exploitation (IMPEL), an initiative "to promote the commercialisation of innovative ideas generated by Imperial College's extensive research programmes." By any standards, IMPEL represents a significant breakthrough in technology transfer liaison. 3i sees it as the forerunner of many similar companies.

Imperial College will have a controlling equity stake in IMPEL, but the financing will come almost entirely from 3i. Apart from a £50,000 contribution to IMPEL's initial capital, 3i is chipping in a further £250,000 to tide the new company through any teething troubles.

Another newcomer to academic liaison is the database. In theory, universities and research establishments supply details of current work to a database which is then made available to fee-paying clients and customers. The process is new and relatively untried.

Longman Cartermill, part of the Pearson Industries group, was formed last year. It was Longman's first move into electronic on-line publishing. The company provides clients with access to a database known as BEST (British Expertise in Science and Technology) which covers UK academic research.

In recent years the number of science parks in this country increased dramatically. There were just two in 1972, and by 1984 the number had risen to 16. The present tally is 27 and there are further parks in the planning and construction stage. The largest is Cambridge in terms of on-park companies, with Aston and London also growing rapidly.

The science park at Cambridge has a complement of nearly 70 companies. Some of them are surprisingly large. Others are minuscule. Napp Laboratories, part of the Napp pharmaceuticals group, has been at Cambridge for three years and has a staff of 330. Cambridge Consultants, a development group, has a staff of 220, including 118 graduates.

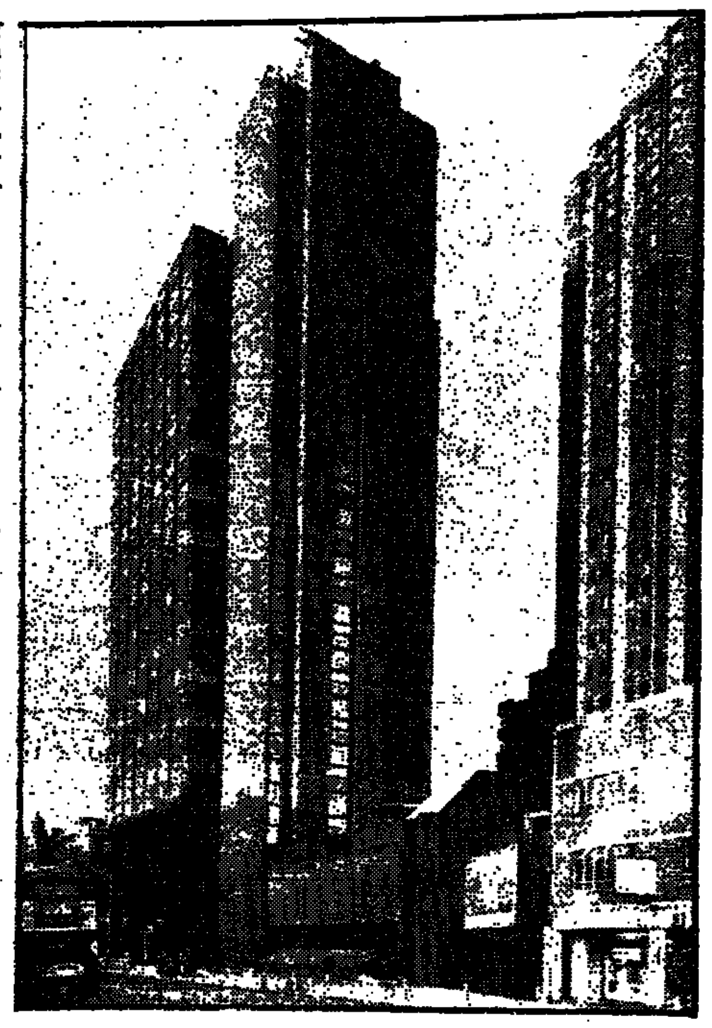
The Cambridge science park, based on Trinity College, describes itself as a collection of high technology industrial companies or research institutes, developed to a very low density and enjoying significant opportunities of interchange with the university.

In other words, it is a means to bring suitable industry and applied research close to the sources of scientific progress. CSP says its companies have fruitful contacts with the university departments and with each other, and few people on the group would dispute the claim. The sheer scale and speed at which CSP has grown is testimony to its strengths.

Some occupiers are small companies whose CSP premises contain their entire activities, operations established by one or two business-minded scientists to develop the commercial potential of their ideas. Others are part of big international groups. In addition, CSP contains the Cambridge Microelectronics Research Laboratory which is supported by GEC and British Telecom.

"Through CSP, we have increased our awareness of the problems of high technology industry," says the Dr John Bradfield, the Senior Bursar of Trinity. Funds for the university are provided by companies on the park, and in return Trinity makes grants to research done on projects of mutual interest, he says.

Jeffrey Brown.



From its head office in Waterloo, 3i spreads its tentacles through the academic world.

Fully operational science parks in the UK

University/ College	Date of opening	No of companies on park
Aberystwyth	Feb 85	5
Aston (Birmingham)	1983	35
Birmingham	April 86	8
Bolton	Oct 86	10
Bradford	Mar 83	24
Brunel (Uxbridge)	Apr 86	9
Cambridge	1972	68
Durham	Oct 85	5
East Anglia	Feb 84	4
Glasgow/ Strathclyde	Sep 83	15
Heriot-Watt (Edinburgh)	1972	18
Hull	Dec 84	12
Kent (Canterbury)	Feb 86	2
Liverpool	1982	12
Loughborough	Apr 84	16
London (South Bank)	Apr 85	36
Leeds	June 83	11
Manchester	Dec 84	13
Newtech (Clwyd)	Dec 85	4
Nottingham	Dec 84	14
Southampton	1984	15
Surrey (Guildford)	1984	9
St Andrews	Dec 84	1
Stirling	June 86	—
Swansea	July 86	4
Warwick	Feb 84	30
		380

Source: Financial Weekly

The regions

Pioneer funds may herald expansion

BRITAIN'S VENTURE capital industry is heavily biased in favour of London and the South-east. If 3i is excluded, more than 35 per cent of all funds available last year went into companies in Greater London.

Unbalancing matters further, another 14 per cent of recipient companies were in the South-east, north of the Thames, while 10 per cent were in the same region but south of the river. That left only about 40 per cent of non-3i money for the rest of the country, which is where 70 per cent of VAT-registered businesses are based.

With the exception of Scotland—which, even so, managed only a 6.6 per cent share of the national cake—the situation got poorer the farther north and west the region concerned was from the capital. The East Midlands, Yorkshire and Humberside, the North-west and the North managed only 8.3 per cent between them.

Even adding 3i's strength around Britain — it has 21 regional offices—the imbalance is nearly as bad. It is not possible to split out which of its invesments were "venture" capital, but its latest available figures for investment in loans and shares show that 26.6 per cent of money went into Greater London and another 23.7 per cent into the South-east.

The figures come from a national survey carried out by Venture Economics and published in its UK Venture Capital Journal this autumn. Susan Lloyd, the editor, says that the rush of management buy-outs in the last two years has accentuated the national imbalance but the general picture is the same as ever.

Many of the bigger buy-outs have been of businesses based in London, which accounts for why, with less than a quarter of the companies involved nationally, London got more than one-third of the money. The year before, the capital's share was 26 per cent but the general principle remains.

The imbalance has encouraged some London fund managers to talk of the regions as the next big area for expansion. However, Mr Robert Smith, managing director of Charterhouse Development Capital, thinks this is unrealistic.

"You need good local knowledge to succeed in any region," he says. "The London-based funds just do not need to go north and west to find good deals. There are hundreds of plums ready to fall on to people's heads all over London and the South-east."

Though a few of the larger regional funds do significant "development capital" deals, most are small funds operating in the "equity gap." This can now be taken to involve any sum of less than £250,000—the sort of level that is a minimum investment for a London fund if overheads are to be covered and a good return made likely.

Regional funds are usually in the £1m-£5m range, drawing their investors from a mixture of local and national institutions. The Avon Enterprise Fund, run from Bristol by Dartington, is typical with £2.4m. Bigger ones include those operated by the March Consulting Group, in Manchester (£5.4m), and Northern Investors (£5m), which is managed by Mr Michael Denny in Newcastle.

Ms Lloyd has identified 18, with total funds of more than £50m. Each tends to be very local, tightly-run—often using part-time consultants or accountants for appraisals—and concerned very largely with "first stage" venture capital.

Since the funds deliberately operate in the equity gap, most of their investments are small by definition, which shows in the way investments are spread across the regions in terms of numbers of companies involved. London and the South-east have relatively fewer deals involving larger sums. The outer regions have more companies seeking smaller amounts of money.

This is by no means the full picture. Mr Tony Puckridge, of Lazard Securities, has established five regional funds which operate as unit trusts. To keep overheads down so that the equity gap can be reached, half the money goes into listed companies in the region concerned, so that each fund has reasonable liquidity.

Venture capital purists argue that this is too safe an approach to be considered in the "risk" category, but regionalists—and Mr Puckridge—argue that at least Lazard is there, both investing and building up a stock of local knowledge for the future.

Tony Puckridge has established five regional funds

One of the Lazard funds is run in conjunction with the West Midlands Enterprise Board. As with its counterparts in West Yorkshire and Merseyside, this was founded by the region's metropolitan county council, all of which were abolished last April.

The enterprise boards have carried on, and West Yorkshire's soon started to break new ground. First, it persuaded the Government to give it enterprise-agency status, so that investors can set off contributions against tax and the board itself does not have to pay tax on reinvested profits; then it broke out of Leeds to operate over all of Yorkshire and Humberside.

This should help it provide an increasingly important vehicle for investing local authority and other public sector pension fund money into venture and development capital deals.

This in turn would help to overcome a growing complaint in the regions that local residents' savings are too often invested by pension managers in London funds—which then fail to reinvest the money in the region from whence it came. If it goes into London funds that then invest in the South-east, the view is that this can only worsen the north-south divide.

The enterprise boards can be considered as the last of the significant public sector funds in England. They have now, in effect, been privatised in the wake of their founders' demise.

Outside England, the Scottish and Welsh development agencies remain in the public sector, but part of their roles is catalytic, encouraging private funds to set up in their regions, which the WDA has done successfully in Cardiff.

Elsewhere, some of the larger enterprise agencies are considering whether to operate an information exchange, to provide an elementary network that might be used to match likely companies with interested funds.

Things like this—and the idea of the existing small regional funds acting as feeders for the bigger ones in London, particularly for second stage venture capital—are seen as likely to tilt regional imbalances in the longer run. Moreover, the regional funds would bring to such networks invaluable local knowledge.

Ian Hamilton Fazey

Venture capital investment by region in 1985

	Not including 3i	
	By amount (%)	By company (%)
Greater London	35.5	23.2
South East (N)	14.4	13.7
South East (S)	10.2	10.2
West Midlands	7.8	6.8
South West	6.7	7.3
Scotland	6.6	11.7
East Anglia	6.4	5.7
Wales	3.9	8.6
Yorks/Humberside	3.2	3.7
East Midlands	2.1	3.7
North West	1.6	2.2
North	1.4	2.0
Northern Ireland	0.2	1.2

Source: Venture Economics

The injection of venture capital into the south-east was boosted by £60m this year when TIP-Europe was bought out by its management from Gelco Corporation of the U.S. TIP-Europe operates from 40 depots in nine countries and has the largest trailer and chassis fleet for rental and lease in western Europe. Its twin headquarters are in Watford and Amsterdam. The buy-out was led by Citicorp Venture Capital, which syndicated the deal among 15 equity investors, including Charterhouse Development Capital, 3i, Globe Investment Trust and Pruventure. Pictured are the TIP-Europe management team (left to right): Tony Rieger, managing director; Jim Cleary, chief executive and Joseph Los, Financial director. The buy-out was the biggest in the UK in 1986, and Citicorp's role enhanced its growing reputation in the industry. It was a highlight of a Citicorp year that has included a "sponsored spin out" of high technology from the US, a reverse takeover, and three flotations.

Jargon

A Venturespeak primer

VENTURE CAPITAL has become as riddled with impenetrable jargon as almost every other area of finance. Perhaps predictably, the least penetrable phrases are almost always imports from the US.

To the uninitiated the prospect of slipping down death valley curve, falling into the clutches of a fat cat, or being relegated to the ranks of the living dead or the grey wave may be, at best, befuddling.

Investors In Industry (3i) has produced a useful phrase book on what it calls "Venturespeak" in "From amber light to yield: an a-y of venturespeak." But here is a shorter guide to some of the less esoteric, and rather more practical phrases. . . .

Venture capital itself is loosely defined as the provision of risk investment for young, unquoted companies which, generally, have high growth potential. Yet venture capital comes in different forms and can be injected into a company at various stages of its development.

Seed capital, for example, is pumped into companies at the very earliest stage, providing finance with which they can turn concepts into marketable products or services. **Development capital** is invested at a later stage, into companies which have become profitable, or are on the verge of becoming profitable concerns. **Second-round financing** comes even later, when a business is already established but is in need of additional capital.

Bridge financing helps to tide a company through until it receives a necessary injection of capital, or until it realises new capital by going public. **Mezzanine finance** fulfils much the same sort of function. Finally **replacement capital** comes into play if the directors of a venture capital-funded company want to leave and sell all, or part, of their holding to one of the venture capital backers.

There are many different sources of venture capital. In certain circumstances it can come from government-sponsored ventures. The **Business Expansion Scheme**, for example, was introduced by the Government in 1983 as a way of encouraging individuals to invest in venture capital. Under the scheme, companies can ask investors to subscribe for shares and those investors can then claim tax relief, at their top marginal rate, for up to £40,000 invested a year. Thus individuals are offered tax incentives to engage in risk investment.

The **Enterprise Allowance Scheme, or EAS**, was devised by the Government to help the unemployed to set up their own businesses. Anyone who has been out of work for more than 13 weeks and can produce, or borrow, £1,000 to start a business will be entitled to a modest, but regular income for a year.

Yet the private sector is the largest source of venture capital. **Management buy-outs**, whereby the executives of a business raise capital to purchase it from the parent company, are one of the most popular forms. **Leveraged buy-outs** are a similar concept whereby the assets of the company to be purchased are used to raise borrowings to finance the buy-out.

Similarly a **sponsored spin-out** occurs when a new company is spun off from its parent but it is owned partly by the venture capital backers, partly by its former parent and partly by its management.

Alternatively, many established companies in the US invest in new areas through **corporate venturing**, whereby they acquire a holding in a venture capital company. This concept is struggling to catch on in the UK.

The **venture capitalist** is a provider of venture capital. Venture capitalists come in many different guises. **Syndicated investments**, for example, spread the investment among several institutional backers, generally because the business concerned is too large or too risky for a single institution to back.

Captive funds are venture capital concerns which are owned by larger financial services groups, by merchant banks or insurance houses, for example. Conversely **independent funds** are autonomous privately owned or public companies.

Venture capitalists adopt different approaches to investment. The **hands-off** investor favours a passive role whereby the company is left to run itself as its directors see fit. The **hands-on** investor, by contrast, is prone to intervention, offering guidance or issuing instructions as to how the company should be run.

Almost every venture capitalist invests in young, unquoted companies with the hope of being able to exit at some stage—generally through a flotation or a takeover by a larger company—and realise profits on its original investment.

Flotation tends to be the most frequently favoured route for enabling the venture capitalist to raise some capital by selling shares or to hold on to a rapidly appreciating holding in the company. There are various forms of flotation on the stock market once a five-year trading record has been established or, on the Unlisted Securities Market, after three years. Alternatively, even start-up companies can trade their shares on the over-the-counter market, and from January 26 they will be able to trade on the newly introduced Third Market.

As for the more esoteric phrases cited at the start of this article . . . **Death valley curve** is the stage after start-up when early losses erode a company's equity base, and make it much more difficult for it to raise much-needed borrowings. A **fat cat** is a venture capitalist who is "over generously" rewarded. A company becomes one of the **living dead** when on the brink of becoming fairly, but not very, profitable; or part of the **grey wave** if profits are far, far away in the distant future.

Alice Rawsthorn

MAJOR SOURCES FOR VENTURE CAPITAL IN THE UK

THE table describes current major sources of venture capital in the UK. It was compiled by accountants Peat, Marwick in conjunction with Venture Economics, publisher of the UK Venture Capital Journal. It shows there are now at least 147 institutions offering venture capital in the UK. Further information can be obtained from : • John Hustler, of Peat, Marwick, at 1 Puddle Dock, Blackfriars, London EC4V 3PD. Phone: 01-236 8000. • Venture Economics, 14 Barley Mow Passage, London W4 4PH. Phone: 01-995 7619.

Fund managers	Range of individual investments considered: Min £000	Max £000	The managers will consider providing funds for: Start-ups	Develop-ment	Replace-ment	Manage-ment buy-out	Res-cues	In the form of: Equity*	Loan*	Seat on board†	Term of funding	Telephone
3i (Investors in Industry)	0	35,000	Y	Y	Y	Y	Y	Y	Y	N	Mainly long term	01-928 7822
Aberdeen Fund Managers	50	400	Y	Y	Y	Y	P	Y	N	A	Medium/Long	0224 631999
Abingworth	100	1,500	Y	Y	Y	Y	Y	Y	Y	U	Flexible	01-839 6745
Advent	250	3,000	Y	Y	P	Y	P	Y	Y	Y	Flexible	01-630 9811
AIIB Venture Capital	250	1,500	P	Y	Y	Y	N	Y	Y	U	Flexible	01-920 9155
Alan Patricof Associates	100	3,000	Y	Y	Y	Y	Y	Y	W	Y	5 years	01-493 3633
Allied Provincial Fund Management	50	100	Y	Y	Y	Y	P	Y	N	A	5 years	041 332 8791
Alta Berkeley Associates	100	2,500	Y	Y	Y	P	N	Y	N	Y	Open	01-629 1550
Audley Fund Management	0	open	Y	Y	Y	Y	P	Y	W	U	Medium/Long	01-408 1234
Avon Enterprise Fund	40	250	Y	Y	N	Y	N	Y	N	Y	5-10 years	0272 213206
Baillie Gifford and Co	50	1,000	Y	Y	N	Y	N	Y	W	P	3-5 years	031 225 2581
Bank of Boston	250	1,000	N	Y	Y	Y	N	Y	Y	N	Medium	01-248 0701
Bankers Trust	250	15,000	N	Y	Y	Y	N	Y	Y	A	Up to 10 years	01-726 4141
Barclays Development Capital	200	open	N	Y	Y	Y	P	Y	Y	Y	Flexible	01-623 2323
Baring Brothers Hambrecht & Quist	50	1,500	Y	Y	P	P	N	Y	P	A	Up to 10 years	01-408 0555
Baring Capital Investors	500	open	N	Y	Y	Y	N	Y	W	U	2-7 years	01-408 1282
Barnes Thomson Management	100	400	P	Y	Y	Y	N	Y	W	Y	5-7 years	01-405 1326
Baronsmead Associates	200	1,500	Y	Y	Y	Y	N	Y	N	Y	Medium	01-638 1700
Biotechnology Investments	200	1,500	Y	Y	N	Y	N	Y	N	U	Long	01-280 5000
Birmingham Technology	50	500	Y	Y	P	Y	P	Y	Y	Y	Up to 5 years	021 359 0981
British Linen Bank	70	500	Y	Y	Y	Y	Y	Y	W	A	3-7 years	031 243 8463
British Rail Pension Fund	250	2,000	N	Y	Y	Y	Y	Y	Y	U	5-7 years	01-247 7600
British Technology Group	50	open	Y	Y	N	P	N	P	N	A	5-7 years	01-403 6666
Brown Goldie and Co	200	open	N	Y	Y	Y	Y	Y	Y	U	5-7 years	01-638 2575
Brown Shipley Developments	50	500	N	Y	P	Y	P	Y	W	U	Flexible	01-606 9833
Cambium Venture Capital	50	200	Y	Y	Y	Y	P	Y	N	Y	3-5 years	01-491 1232
Cambridge Capital	25	open	P	Y	Y	Y	P	Y	Y	U	Flexible	0223 312856
Candover Investments	1,000	10,000	N	Y	P	Y	P	Y	Y	U	Medium/Long	01-583 5090
Capital for Companies	50	150	P	Y	Y	Y	N	Y	N	Y	5 years	0532 438043
Capital Partners International	5	350	Y	Y	Y	Y	P	Y	Y	A	Flexible	01-351 4899
Capital Ventures	30	20,000	Y	Y	P	Y	N	Y	N	Y	Medium	0242 584380
Castle Finance	100	1,000	P	Y	P	Y	N	Y	W	U	Flexible	0603 622200
Castleforth Fund Managers	100	250	Y	Y	Y	Y	Y	Y	N	A	Medium	01-240 6887
Causeway Capital	350	1,500	Y	Y	Y	Y	Y	Y	Y	Y	Medium/Long	01-631 3073
Centreway Development Capital	100	1,000	Y	Y	N	Y	P	Y	N	Y	5 years	021 643 3941
Charterhouse Development Capital	100	5,000	Y	Y	Y	Y	N	Y	W	A	As appropriate	01-248 4000
Charterhouse Japhet Venture Fund	250	1,000	Y	Y	N	Y	N	Y	N	U	5-10 years	01-409 3232
Chase Investment Bank	500	open	N	Y	Y	Y	N	Y	N	A	Flexible	01-726 5599
CIN Industrial Investments	250	5,000	Y	Y	Y	Y	P	Y	Y	Y	Medium/Long	01-245 6911
Citicorp Venture Capital	250	open	Y	Y	Y	Y	P	Y	W	U	Flexible	01-438 1266
Close Investment Management	150	3,000	P	Y	Y	Y	Y	Y	Y	U	3-7 years	01-283 2241
Clydesdale Bank Equity	50	open	P	Y	Y	Y	P	Y	Y	Y	Open	041 248 7070
County Development Capital	200	1,500	P	Y	Y	Y	Y	Y	Y	U	As appropriate	01-638 6000
Cygnus Venture Partners	0	2,000	Y	Y	Y	Y	Y	Y	W	Y	Up to 10 years	0895 72601
CoSIRA (Cncl Sm Ind in Rural Areas)	0.25	75	Y	Y	N	Y	N	N	Y	N	As appropriate	0722 336255
Development Capital Corporation	100	2,500	P	Y	Y	Y	P	Y	W	Y	Open	01-491 0767
Development Capital Group	100	5,000	Y	Y	Y	Y	Y	Y	Y	Y	5-8 years	01-935 2731
ECI Ventures	300	3,000	Y	Y	Y	Y	Y	Y	Y	U	Flexible	01-606 1000
Electra Candover Partners	10,000	62,500	N	P	P	Y	P	Y	W	Y	Flexible	01-583 5090
Electra Management Services	500	5,000	P	Y	Y	Y	Y	Y	W	P	Flexible	01-836 7766
English and Caledonian Investment	200	1,000	Y	Y	Y	Y	Y	Y	W	Y	3-5 years	01-623 1212
Ensign Trust	1,000	3,000	N	Y	P	Y	N	Y	W	U	3-4 years	01-256 9555
ET Trust	25	350	N	Y	Y	Y	N	Y	Y	A	5-7 years	0625 532535
F. and C. Ventures	250	2,500	Y	Y	Y	Y	Y	Y	Y	A	5 years	01-623 4680
First Welsh General Invest Trust	0	50	Y	Y	N	Y	N	Y	Y	N	10 years	0222 396131
Fleming Ventures	250	1,000	Y	Y	N	Y	N	Y	N	U	3-5 years	01-480 6211
Fleming (Robert) Investmnt Mngmnt	200	5,000	Y	Y	P	Y	Y	Y	W	Y	Medium/Long	01-638 5858
Fountain Development Capital Fund	100	750	Y	Y	Y	Y	Y	Y	Y	Y	5 years	01-628 8011
Gartmore Investment Management	150	10,000	Y	Y	Y	Y	P	Y	Y	Y	Flexible	01-623 1212
Granville and Co	50	750	Y	Y	Y	Y	Y	Y	W	Y	Flexible	01-621 1212
Gresham Trust	50	750	Y	Y	Y	Y	P	Y	W	Y	Long	01-606 6474
Grosvenor Venture Managers	200	800	N	Y	Y	Y	N	Y	W	Y	5-7 years	0753 32623
Guidehouse	0	1,000	Y	Y	Y	Y	Y	Y	W	U	Flexible	01-606 6321
Guinness Mahon Venture Capital	100	open	N	Y	Y	Y	P	Y	W	Y	Long	01-623 9333
Hoare Candover	100	750	N	Y	P	Y	P	Y	W	A	Flexible	01-583 5090
Hoare Octagon	75	300	Y	Y	N	Y	P	Y	N	Y	5-10 years	0223 863033
Hodgson Martin Ventures	50	150	P	Y	P	Y	P	Y	N	U	5 years	031 557 3560
Industrial Development Board for NI	0	open	Y	P	N	P	Y	Y	Y	Y	Medium	0232 233233
Industrial Technology Securities	50	200	Y	Y	P	Y	Y	Y	N	Y	5 years+	01-491 3536
Innotech	50	500	P	Y	P	Y	N	Y	W	Y	Flexible	01-834 2492
Innvotec Management	200	1,000	Y	Y	P	Y	N	Y	W	U	Flexible	01-630 9039
James Finlay Corporation	50	500	P	Y	P	Y	N	Y	Y	Y	Flexible	041 204 1321
JMI Advisory Services	0	150	Y	N	N	N	N	Y	N	U	Open	01-930 7107
Johnston Development Capital	100	350	P	Y	Y	Y	N	Y	W	Y	Open	07372 42466
Kleinwort Benson Developmt Capital	250	open	P	Y	Y	Y	P	Y	W	Y	4-7 years	01-623 8000
Lancashire Enterprises	50	1,000	Y	Y	Y	Y	Y	Y	Y	U	Medium/Long	0772 735821
Larpent Newton and Co	50	7,000	Y	Y	Y	Y	Y	Y	Y	Y	As appropriate	01-831 9991
Lazard Brothers	150	open	Y	Y	N	Y	N	Y	N	Y	Medium (3-6 yrs)	01-588 2721
Leading Ladies	50	250	Y	Y	P	P	P	Y	W	Y	Medium	01-437 8413
Ledu—Small Business Agency NI	3	450	Y	Y	N	Y	Y	Y	Y	A	Medium	0232 691031
Legal and General Venture Capital	250	open	P	Y	Y	Y	Y	Y	W	Y	3-7 years	01-248 9678
Leisure Development	250	3,000	P	P	Y	Y	Y	Y	W	Y	Medium	0753 840181
Leopold Joseph and Sons	0	open	P	Y	Y	Y	P	Y	Y	A	Open	01-588 2323
Lloyds Development Capital	200	open	N	Y	Y	Y	N	Y	W	U	Flexible	01-248 4275
Manchester Exchange Trust	50	open	Y	Y	Y	Y	Y	Y	Y	P	Medium	01-251 9261
Manufacturers Hanover	100	250	P	Y	Y	Y	P	Y	Y	U	5-7 years	01-600 4585
March Investment Fund	250	1,500	P	Y	Y	Y	P	Y	W	Y	3-7 years	061 834 9720
Mathercourt Securities	25	4,000	Y	Y	Y	Y	P	Y	N	U	Flexible	01-831 9001
Maystock Associates	10	2,000	Y	Y	Y	Y	Y	Y	W	N	7-10 years	0335 44844
Mercia Venture Capital	50	open	Y	Y	N	Y	Y	Y	N	Y	Medium	021 233 3404
Mercury Warburg Investment Mngmt	200	2,000	P	Y	Y	Y	P	Y	W	A	5-10 years	01-280 2800
Merseyside Enterprise Board	50	250	P	Y	N	Y	P	Y	Y	A	5-7 years	051 236 0221
Midland Bank Equity Group	100	open	P	Y	Y	Y	P	Y	W	U	Long term	01-638 8861
MIM Development Capital	200	3,000	P	Y	P	Y	N	Y	W	Y	3-5 years	01-626 3434
Minster Trust	100	250	P	Y	N	Y	Y	Y	N	Y	5 years	01-623 1050
Morris, Stewart-Brown and Co	150	open	Y	Y	Y	Y	Y	Y	W	A	Flexible	01-248 2894
MTI Managers	100	1,000	Y	Y	N	Y	Y	Y	W	Y	To 1993	0923 50244
Murray Johnstone	250	2,500	P	Y	P	Y	P	Y	Y	A	Medium	041 221 9252
Mynshul Trust	25	300	P	Y	Y	Y	Y	Y	Y	Y	Medium	061 236 1334
National Westminster Growth Optns	25	200	Y	Y	P	Y	N	N	Y	Y	Up to 10 years	01-239 8000
Newmarket Venture Capital	200	500	Y	Y	N	N	Y	Y	W	Y	3-10 years	01-638 2521
Noble Grossart Investments	100	1,000	Y	Y	Y	Y	Y	Y	W	Y	Flexible	031 226 7011
Noble and Co	25	open	Y	Y	Y	Y	P	Y	W	U	Flexible	031 225 9677
Northern Investors Company	25	open	Y	Y	Y	Y	Y	Y	W	Y	Medium/Long	091 232 7068
Northern Ireland Venture Capital	30	500	Y	Y	Y	Y	Y	Y	N	Y	Medium	0232 755777
Oakland Capital Management	150	750	P	Y	P	Y	P	Y	W	Y	5-7 years	0488 84656
PA Developments	500	1,500	N	Y	Y	Y	N	Y	N	Y	Medium/Long	01-589 7050
Phillips and Drew Devpmnt. Capital	250	3,000	P	Y	Y	Y	P	Y	W	U	3-5 years	01-628 6366
PIC Capital Group	10,000	200,000	N	N	Y	Y	N	Y	Y	N	10 to 15 years	01-283 8122
Prelude Technology Investments	20	500	Y	Y	N	Y	P	Y	W	Y	Open	0223 862232
Prudential Venture Managers	250	500	Y	Y	Y	Y	P	Y	W	U	Flexible	01-936 8799
Quayle Munro	50	100	N	Y	Y	Y	P	Y	Y	Y	5 years	031 226 4421
Quester Capital Management	0	50	Y	Y	Y	Y	Y	Y	N	A	Medium/Long	01-222 5472
Rainford Venture Capital	50	250	Y	Y	Y	Y	N	Y	Y	Y	Medium	0744 37227
Rank Xerox Pensions Fund	0	50	Y	Y	N	N	N	Y	W	Y	Open	01-236 3000
Rothschild Ventures	100	1,000	Y	Y	Y	Y	Y	Y	W	U	Medium	01-280 5000
Sabrelance	50	open	Y	Y	Y	Y	Y	Y	N	U	5 years	01-405 1058
Sapling (North West)	25	200	Y	Y	Y	Y	N	Y	W	N	Medium	02572 60411
Schroder Ventures	250	10,000	Y	Y	Y	Y	P	Y	N	U	Flexible	01-382 6000
Scottish Development Agency	5	1,000	Y	Y	N	Y	Y	Y	Y	Y	Long	041 248 2700
Seed Capital	10	40	Y	N	N	N	Y	Y	N	Y	Long	0272 272250
Sharp Technology Fund	100	750	N	Y	Y	Y	Y	Y	Y	Y	Long	021 236 5801
Singer and Friedlander	150	300	N	Y	N	Y	N	Y	N	Y	As appropriate	0532 438073
Smithdown Investments	10	50	Y	Y	Y	Y	Y	Y	P	A	Open	09278 5199
South Glamorgan Investments	0	50	Y	Y	N	Y	N	Y	Y	N	10 years	0222 396131
Stewart Ivory and Company	250	2,000	P	Y	Y	Y	P	Y	W	A	Flexible	031 226 3271
St Helens Bes Syndicates	20	60	Y	Y	P	Y	Y	Y	N	Y	5 years	0744 696775
Sumit	200	750	N	Y	Y	Y	Y	Y	Y	Y	Long	021 236 5801
Sun Life Inv. Management Services	200	750	P	Y	Y	Y	P	Y	W	U	Medium/Long	01-606 7788
Thamesdale Inv. and Fin. Company	50	1,500	Y	Y	Y	Y	Y	Y	Y	A	Medium	01-283 5707
The London Venture Capital Market	25	1,000	Y	Y	P	Y	P	Y	N	Y	Long term	01-629 5983
The St James's Venture Capital Fund	150	750	Y	Y	P	Y	P	Y	W	Y	Medium	01-839 2265
Thompson Clive and Partners	0	1,000	Y	Y	Y	Y	Y	Y	Y	U	Open	01-491 4809
Top Technology	100	750	Y	Y	P	Y	P	Y	W	Y	3-7 years	01-242 9900
Transatlantic Capital	50	250	Y	Y	Y	Y	N	Y	W	Y	5 years	01-489 0021
Trust of Property Shares	25	350	Y	Y	P	P	N	Y	W	Y	Open	01-486 4684
UBK Information Tech. Partnership	50	500	Y	Y	P	P	Y	Y	P	U	Up to 8 years	01-626 3422
Ulster Development Capital	50	300	N	Y	Y	Y	Y	Y	N	Y	Flexible	0232 246765
Ulster Venture Capital	30	250	Y	Y	N	N	N	Y	N	A	As appropriate	0232 228490
Ventech	50	1,000	P	Y	P	Y	Y	Y	W	Y	Medium	01-351 5867
Venture Founders	100	600	Y	P	N	P	P	Y	W	Y	Flexible	01-434 9781
Venture Link (Holdings)	100	open	Y	Y	P	P	N	Y	W	Y	3-7 years	01-236 6891
Water Auth. Superannuation Fund	200	400	Y	Y	P	Y	P	Y	Y	A	Medium	01-222 8111
Welsh Development Agency	5	1,000	Y	Y	P	Y	P	Y	Y	Y	Medium	0222 32955
Welsh Dvpt. Capital (Management)	100	500	Y	Y	P	Y	P	Y	Y	Y	Medium	0222 378531
West Midlands Enterprise Board	100	750	P	Y	P	Y	P	Y	Y	Y	Long	021 236 8855
West Yorkshire Board	25	1,000	Y	Y	Y	Y	Y	Y	Y	U	Medium	0924 371205

Signs indicate reaction of managers as follows: Y=Yes, N=No, P=Possible, A=As appropriate, W=With equity, U=Usual. Additionally, in the columns marked * the Managers will consider providing capital in the form of equity or loan, as indicated. † A seat on the board will be requested by the managers as indicated.

Source: Peat, Marwick, Mitchell and Co.; Venture Economics.